



MOPANI DISTRICT MUNICIPALITY FINAL CASH MANAGEMENT POLICY

2023/2024

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1. PURPOSE OF THE POLICY

- 1.1 The purpose of this policy is to ensure that investment of surplus funds forms part of the financial management procedures of the Municipality and to ensure that prudent investment procedures are applied consistently. That cash is managed effectively.

2. INTRODUCTION

- 2.1 As custodians of public funds, the Council has an obligation to see to it that cash resources are managed as effectively as possible. Council has a responsibility to invest public funds with great care and are liable to the community in that regard.
- 2.2 The investment policy should be aimed at gaining the highest possible return without undue risk during those periods when funds are not needed. To bring this about, it is essential to have an effective cash flow management program.
- 2.3 This policy has been compiled in accordance with the Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003 and the Investment and PPP Regulations for the MFMA published in Government Gazette 27431 dated 1 April 2005. Where this policy is contrary to other legislation, such legislation will override this policy. It is an explicit responsibility of the Municipal Manager to bring such conflicts immediately to the attention of the Council once he/ she becomes aware of such conflicts and to propose changes to this Policy to eliminate such conflicts.

3. DELEGATION OF POWERS

- 3.1 This policy should be applied with due observance of the Municipality's policy with regard to delegated powers. Such delegations refer to delegations between the Municipal Manager and other responsible officials as well as between the Council and the Mayor and the Council and the Municipal Manager. All delegations in terms of this policy must be recorded in writing.
- 3.2 According to the Municipal Finance Management Act, the Municipal Manager is the accounting officer of the Municipality and therefore all designated officials are accountable to him/ her. The Municipal Manager is therefore accountable for all transactions entered into by his/ her designates.
- 3.3 The overall responsibility of investments lies with the Municipal Manager. However, the day to day handling of Cash and other investment should be the responsibility of the Chief Financial Officer or his/her delegate.

3.4 All investment documents will require two signatories, namely the Municipal Manager and the Chief Financial Officer or their delegated signatories. In this regard, specimen signatures must be signed with all financial institutions with which the Municipality partake.

4. LEGAL REQUIREMENTS

4.1 The way in which surplus funds and other monies of the municipality can be invested, is regulated in terms of the Municipal Finance Management Act, and the National Framework to be determined by the Minister of Finance with the concurrence of the Cabinet member responsible for Local Government (see paragraph 1.3).

4.2 The Municipal Finance Management Act requires the Municipality to establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed by the Minister, with the concurrence of the Cabinet member responsible for Local Government.

4.3 A bank, insurance company or other financial institution which, at the end of a financial year holds, or at any time during a financial year held, an investment for the Municipality must: -

- Within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that investment, including the opening and closing balances of that investment, in that financial year; and
- Promptly disclose information regarding the investment when so requested by the National Treasury or the Auditor-General.

4.4 A bank where the Municipality at the end of the financial year holds a bank account, or held a bank account at any time during a financial year, must: -

- Within 30 days after the end of that financial year, notify the Auditor-General, in writing, of such bank account, including-
 - the type and number of the account; and
 - the opening and closing balances of that bank account in that financial year.
- Promptly disclose information regarding the account when so requested by the National Treasury or the Auditor-General.

5. Cash Management Principles

5.1 Cash Management Plan

5.1.1 Adequate and efficient cash management is one of the main functions of the Chief Financial Officer. It is therefore imperative that a cash management plan be established and adhered to at all time. Sound cash management includes the following: -

- ❑ Collecting revenue when it is due and banking it promptly;
- ❑ Making payments, including transfers to other levels of government and nongovernment entities, no earlier than necessary, with due regard for efficient, effective and economical program delivery and the government's normal terms for account payments as well as within legislative requirements;
- ❑ Avoiding pre-payments for goods or services (i.e. payments in advance of the receipt of goods or services), unless required in terms of contractual arrangements with the supplier;
- ❑ Accepting discounts to effect early payment only when the payment has been included in the monthly cash flow estimates prepared by the Municipality;
- ❑ Pursuing debtors with appropriate sensitivity and rigor to ensure that amounts receivable by the Municipality are collected and banked promptly;
- ❑ Accurately forecasting the Municipality's cash flow requirements;
- ❑ Timing the inflow and outflow of cash to ensure that significant cash outflows only occur when there is sufficient cash in the Municipality's bank account; and
- ❑ Taking any action that avoids locking up money unnecessarily and inefficiently, such as managing inventories to the minimum level necessary for efficient and effective program delivery and selling surplus or underutilized assets.

5.2 Efficient Cash Collection Procedures

5.2.1 All monies due to the Municipality must be collected as soon as possible and banked on a daily basis. Cash left in the safe can pose a security risk, could necessitate additional insurance coverage and does not earn any interest. Special deposits should be arranged for the larger amounts received, to make sure that these are banked on the same day they are received.

5.2.2 It is essential that all amounts owed to the Municipality be levied by way of a debit in the applicable debtor's system. A well-managed debtor and banking control system is the proper measure for ensuring that monies owed to the Municipality are timeously received and banked. It is also important to review the debt collection performance by regularly comparing monies presently owed to the Municipality in relation to the total

income as well as to the situation in previous financial years, in order to determine whether the debt collection is deteriorating or improving.

5.3 Payment to Creditors

- 5.3.1 Another aspect of effective cash management is adequate control over the timing and payment of creditors accounts. To reduce bank costs with regard to cheque payments it is essential to limit the payment of creditors to one payment per creditor per month, if possible, and to consider making use of electronic transfer facilities if these are available, subject to strict control measures.
- 5.3.2 When considering the time to pay a creditor, proper consideration must be given to the conditions of credit/ terms of payment offered. In cases where a cash discount is offered for early settlement the discount, if the relevant time scale is taken into account, will in most cases be more than any investment return from temporarily investing the funds and if offered, they should be properly considered and utilized.
- 5.3.3 The normal conditions of credit/ terms of payment offered by suppliers should also be considered and utilized to the full by paying on due date and not earlier.
- 5.3.4 Payment checklist should be attached on all payments to creditors; procurement office should ensure that CIPRO printouts and valid BEE verification certificates with traceable references are attached to all payments vouchers.
- 5.3.5 CSD compliance report should be attached to all payments vouchers submitted for payments.
- 5.3.6 Deviations Report for all goods and services that were procured outside normal supply chain management processes and procedures should be submitted with payments vouchers, such deviations should be approved by the Municipal Manager prior to acquiring such goods and services.
- 5.3.7 Payments to contractors and suppliers should only be made twice a week preferably on Tuesday and Thursdays. Payments for litigations and any other emergency payments can be processed as when they are submitted for payment.
- 5.3.7 Payment to Key Accounts should take preference

5.4 Management of Investment in Inventories

5.4.1 Cash management can be improved by ensuring that adequate stock control is exercised over all goods in store. The inventory levels in any stores system have to be reviewed continually in the light of annual contracts from local suppliers. Only essential inventory levels are to be maintained in the case of inventory items that are readily available.

5.4.2 Inventory items held in stock for a long period of time is an unproductive asset to which an opportunity cost can be attached. In addition, inventory items held in stock for long periods of time could become redundant or obsolete. It is advisable, therefore, to dispose of outdated inventory items on a regular basis, thus recovering at least a part of their costs.

5.5 Investment of Surplus Cash

5.5.1 Before any money can be invested, the Chief Financial Officer, or his/her delegate, has to determine whether there will be surplus funds available. The term of investment should also be investigated in relation to projected cash outflows. Prior to making investments for any fixed term, it is essential that cash flow estimates be compiled for at least the next twelve months.

5.5.2 When compiling monthly cash flow estimates it is essential that the Chief Financial Officer is aware of all expected cash flow and when it is to take place, as well as the timing with regard to cash outflows as far as both the operational and the capital budgets are concerned.

5.5.3 By utilizing the available information and expertise, the Chief Financial Officer can assess the timing with regard to the applicable investment policy accordingly. Daily cash flow estimates will provide for daily call investments and investment withdrawals, whereas long-term investments need to be based on projections further into the future.

6. BUSINESS ONLINE BANKING (ELECTRONIC FUNDS TRANSFER)

Criticality and integrity of the EFT process;

- A. The municipality shall use the bank business online system for EFT processes.
- The banking business online shall be for any bank appointed by Municipality in terms of MFMA and supply chain management policy.
 - The Business Online shall have three designated signatories appointed by the Council.
 - The Business online designated signatories include the Accounting officer, Chief Finance Officer and any other senior member of staff appointed by the Accounting officer.

- The designated signatories are for adding, authorising, deleting the users of EFT Banking Business online.
- The Designated signatories and any appointed user of the banking business online shall fill the banking business-online form designed by the appointed bank.
- The copies of the filled forms are filed by the accounting officers and kept in records and other will be submitted to the Bank appointed.
- The approved Banking Institutions upon receiving the completed forms, check it and approve it and add the users to business online banking.

B. Procedures for segregation of duties;

- Accounting officer appoints the Chief finance officer to be designated signatories.
- The accountant will capture the payment voucher for any invoice approved for payments.
- The accountant will import the encrypted payment file from the financial management system (munsoft) to banking business online for electronic payments.
- The Senior Accountant /Deputy Manager expenditure will verify the payment voucher and invoice presented for payment for correctness of the account number.
- The chief accountant or Deputy Manager expenditure will approve the payment and do the first part release.
- The Chief Finance Officer upon satisfying him/herself of payment voucher will the release the payment as the final releaser of the payment.

C. Password security settings, unique user ID's, registration and revocation of users accounts;

The banking business online banker upon receiving the banking business online approved forms for user of business online from accounting officer shall:-

- Add the user to banking business online.
- Provide the user with unique user ID'S.
- The system will prompt the new user to set the password.
- The banking online will force the user to set alphanumeric password.
- Provide the banking token that assist with OTP (One-time password)

- Upon resignation, dismissal or any change of staff for rotation purpose the user will be suspended, revoked and be removed from the user profile of banking business online.
- The revoking of users from participating in business online is done through the cancellation forms by the Chief Finance Officer.
- Should the user forget the password he/she will call the business online banker for password reset.
- The business online banker will assist and also do security check and verify the reset with designated signatories.
- Periodic reviews to establish whether employees' current access and privileges on the system is still commensurate with their job responsibilities for users;
- The CFO will review the Job description of the user and ensure that they are relevant for business online.
- The user of business online monitored for any movement in positions relevant for the use of EFT facilities and such movement is discovered he /she will be removed from the list of users.
- The CFO will determine the daily limit for the institutions in order to reduce the number of the users of EFT facilities.
- The user of EFT facilities may be given certain functions such as viewing and verifying for control purposes.
- The user of EFT facilities may not affect any changes or initiate any transactions unless are given authority to.
- The user may use EFT facilities to check the closing balance and opening balance and also to perform the bank reconciliations as per respective Job descriptions.
- The Business online banking facilities shall be used in such a way that is in line with the delegation of power document approved by council.
- The business online banking has a system general and special controls to monitor the access logs to EFT facilities.
- The abuse of the access logs will be reported to the CFO and the Accounting Officers by the banker responsible for business online banking.
- The IT of the municipality does not participate into Business online banking facilities.
- All the challenges and troubleshooting of the system are referred to the banker who is offside the Municipality buildings,

7. RETENTION

Unclaimed retention which is over two (2) year after the defect liability period will be written off and amount written off from the retention register will be transferred to the accumulated surplus and will form part of the reporting to council on annual basis.

8. UNKNOWN DEPOSITS

Unknown deposits are payments made directly into the Municipality's bank account that cannot be traced or allocated to correct consumers' accounts due to incorrect or omission of consumers' reference number.

PROCEDURES REGARDING UNKNOWN DEPOSITS

- a) All reasonable steps should be taken to determine the origin of these deposits and if they are untraceable:
 - Such deposits should be recorded in the unknown deposit register to facilitate future claims against the deposits.
 - The deposits should be temporarily posted into the creditors account: Unknown deposits.
- b) The unknown deposit register should be properly monitored.
- c) All traced deposits should be journalised to the correct consumer or ledger account.
- d) The unknown deposit register should be reconciled on a monthly basis to the unknown deposit control account in the General Ledger.

If deposits remain unclaimed for a period of two financial years, consumers will be notified by means of a public notice or local newspaper to come to the Municipality to claim the deposits. Consumers will be requested to produce supporting documentation to support their claims. Any deposit that remains unclaimed after this process will be transferred to sundry revenue of the Municipality.

9. Leave Provision

Leave pay is recorded as a provision as there is a restriction on leave days which requires the employees to utilize their outstanding leave before June of each year. The provision amount changes depending on the number of leave days that accrue to the employees as at the year-end, and the related salary costs. The amount is payable in cash upon termination of an employee's contract of employment.

Any leave in excess of 48 days may not be encashed should the employee be unable to take leave as a result of operational requirements. If, despite, being afforded an opportunity to take leave, an employee fails, refuses or neglects to take the remaining leave due to him during this period, such remaining leave shall fall away.

10. Policy monitoring and evaluation

- a. This policy shall be implemented and effective once recommended by the Local Labour Forum and approved by Council.
- b. Non-compliance to the stipulations contained in this policy shall be regarded as breach of Code of Conduct, which shall be dealt with in terms of the Code of Conduct.
- c. Head of Corporate Services shall carry out the monitoring and evaluation of the policy's implementation.

Policy approval

This policy was formulated by Budget and treasury Management in consultation with the Treasury.

Authorized by Municipal Manager: _____ Signature: _____ Date: _____
_____ Recommended by Portfolio
Committee
on Budget and treasury: _____ Signature: _____ Date: _____
