

CASH HANDLING



POLICY, PROCESSES & PROCEDURES

RECOMMENDED

THAT the **Cash Handling Policy** and the contents thereof be tabled for approval at the Mayoral Committee.

Version Version 3

Date April 2015

Document Name **Cash Handling Policy and Procedures**

Reviewed By

_____ **Date:** _____

Supported By

INTERNAL AUDITOR

_____ **Date:** _____

Signature

CHIEF FINANCIAL OFFICER

_____ **Date:** _____

MUNICIPAL MANAGER

**Adopted by
the Mayoral
Committee**

_____ **Date:** _____

CHAIRPERSON

**Approved by
the Council**

_____ **Date:** _____

RESOLUTION

Effective date

**Next revision
date**

Contents

1. Policy.....	4
1.1. Overview.....	4
1.2. Purpose.....	5
1.3. Objective.....	5
1.4. Business Process Framework.....	6
1.4.1 Legislative Framework	6
1.4.2 Accounting Framework.....	6
2. Processes.....	7
2.1 Cash Handling Function.....	7
2.2 Collecting and Receipting	8
2.3 Banking and Depositing	9
2.4 Reconciling and Monitoring	9
3. Procedures	10
3.1 Collecting and Receipting	10
3.2 Depositing.....	10
3.3 Reconciling and Monitoring	11
3.4 Amendment and Review of the Policy	12

1. Policy

1.1. Overview

Sedibeng District Municipality has developed its cash handling policy to include activities at all departments at which municipality business is conducted. This in recognising its:

- i. community orientation; and
- ii. the need for good governance.

The cash handling policy is a transparent and codified internal control system aimed at promoting its core District Objectives to ensure that the limited resources at the disposal of Sedibeng District Municipality will be focussed towards serving the various stakeholders in the pursuit of their interactions with Sedibeng District Municipality both efficiently and congruent to approved budgets and broader financial policies of Sedibeng District Municipality, whilst minimising the temptation of misuse of municipality funds.

"Cash" is defined in this context as coin, currency, cheques and credit card transactions but excludes the management of activities funded by staff collected cash, such as social events. The policy is applicable to all Sedibeng District Municipality staff that are entrusted with the receipt, deposit or reconciliation of cash in any form on behalf of the municipality related activities. It seeks to institutes the necessary control measures to facilitate the daily activity of the municipality by providing:

- i. A guideline for all stakeholders as to the what is required for cash based transactions;
- ii. An internal dynamic document detailing the processes required for the efficient discharge of duties for cash handling relative to financial

controls necessary to ensure the efficient administration of the Sedibeng District Municipality budgets.

1.2 Purpose

The cash handling policy seeks to institute the necessary control measures to facilitate the daily activity of the municipality by providing:

- A guideline for all stakeholders as to the what is required for cash based transactions;
- An internal dynamic document detailing the processes required for the efficient discharge of duties for cash handling relative to financial controls necessary to ensure the efficient administration of the Sedibeng District Municipality budgets.

It furthermore serves to assist management, employees and all other stakeholders of the Sedibeng District Municipality to implement and maintain consistent, effective and efficient cash handling principles thereby contributing to the early detection and prevention of fraudulent activity.

1.3 Objective

To ensure procedures and internal controls are in place to prevent the mishandling of Municipality funds and safeguard and protect employees from inappropriate charges of mishandling funds, by defining their responsibilities in the cash handling process by:

- Infusing business processes into internal control which complies with all legislation and statutory requirements;
- Safeguarding cash resources and optimising cash flow via effective, efficient and economical use of the Sedibeng District Municipality cash resources.

- Driving a culture of accountability over Sedibeng District Municipality's cash by skilling staff and stakeholders alike.
- Verification of the validity of receipts and payments and ensuring that accurate and completeness of recording of receipts and payments occur;
- Provide a means of communication aimed at service delivery for communities, businesses and vendors.
- Instil an awareness of special precautions is required when handling the more exchangeable forms of money, like cash and uncrossed cheques.
- Ensure that staff assigned cash handling responsibilities should be appropriately trained and be aware of relevant policies and procedures.
- Communicate to all staff that any monetary loss as a result of non-compliance with this policy is deemed to be gross negligence and could be cause for disciplinary action.

1.4 Business Process Framework

1.4.1 Legislative Framework

The *Municipal Systems Act (No. 32 of 2000)*, *Municipal Finance Management Act (No. 56 of 2003)*, the *King II Code on Corporate Governance in South Africa (2002)* and other applicable legislation informs and seeks to regulate the functioning of cash handling so as to lead to the early detection of irregular and unauthorised, activity, and allow for reporting thereof in terms of the Code of conduct for Councillors and Municipal Staff Members.

1.4.2 Accounting Framework

The responsibility of cash handling lies with the Chief Financial Officer, or delegated official, who has to ensure that reasonable controls exist to support the implementation of policies. In delegating this function to subordinates, it does not alleviate the responsibility of the Chief

Financial Officer. The HOD has to ensure all policies and procedures are communicated to and implemented by the responsible individual(s).

1.5 Recommendations

- This policy, processes and procedures document supersedes all previously issued cash handling policies;
- This policy, processes and procedures document be recognised as providing the framework of operation and internal control mechanisms for all staff members of the municipality charged with the receipting, depositing or reconciliation of cash in any form;
- This policy document be adopted by the Executive Management and the broader Council of Sedibeng District Municipality as the framework for Accounts Payable.

2. Processes

2.1 Cash Handling Function

Cash handling is an integral part of revenue collection. Due to the ease of recycle into the commercial arena, any organisation's accounting system needs to implement strict measures of internal control for cash related transactions.

Generally there are a large number of business units in a typical municipality, and in the pursuit of its core function of service delivery, payment for goods and services are a necessary consequence. Sedibeng District Municipality thus has to regulate and streamline receipting, depositing and reconciliation via effective and efficient records and controls that allows for the processing of all cash transactions.

General guidelines on safeguarding

- Cash must not be sent through the internal mail.
- The cash on hand should be “spot-checked” periodically.
- Loss control officer/ Security Services must be notified promptly of any losses due to theft. The Internal Audit should be notified if misappropriation by an employee is suspected.
- If necessary, insurance cover must be obtained, and excesses set on claims.

Cash Handling

Cash handling is deemed to have the following major functions:

- Collecting and receipting;
- Depositing;
- Reconciling and monitoring.

2.2 Collecting and Receipting

The following guidelines are applicable for to all staff charged with the collection and receipting of cash:

- All cash received must be recorded in writing immediately upon receipt thereof in a clearly marked cash register;
- All mail that could contain cash should be opened by a minimum of two people, and the contents thereof recorded in the clearly marked cash register;
- The recipient of the cash, is responsible for the receipting of the cash in the cash register;
- A printed receipt must be issued immediately for cash received. In this regard, an email acknowledgement is acceptable;
- Voided cash receipts should be reviewed on a regular basis;
- Cash must be safeguarded at all times, by ensuring that it is placed in a temporary holding petty cash box with a dual key system as held by mandated officials;
- No payment may be made from the cash received.

2.3 Banking and Depositing

Cash must be deposited into an authorized Sedibeng District Municipality Account, as designated for the purpose of receiving cash by the Chief Financial Officer, who is the only designated municipal official who may open a bank account. The bank account utilised will be the primary bank account of the municipality and clearly designated in the name of Sedibeng District Municipality as per **MFMA** circular 55. Cash handling to deposit timeframes are as follows:

- Cash must be deposited within a period of 24 hours of receipt thereof during a normal week;
- In the event of a public holiday, within 48 hours of receipt thereof;
- In the event of a weekend within 72 hours between the date of receipt and deposit date.
- All deposit slips are to be pasted into a deposit register, which details the transactions it refers to, the date of deposit etc.

2.4 Reconciling and Monitoring

Early detection of fraudulent activity will be enhanced through adherence to the following:

- Receipts and deposits should be reconciled, at least on a monthly basis.
- Adequate separation of duties must exist for cash collecting, depositing and reconciling. [In smaller departments the handling of cash should be separated from the reconciliation.]
- Voided cash receipts should be reviewed on a regular basis.
- A third party not involved in the cash handling process should authorize and monitor the process at regular intervals.

3. Procedures

3.1 Collecting and Receipting

- All cash received must be recorded. Depending on the volume and amount of cash received, this may be done by issuing pre numbered receipts to the customer, or by recording the transaction using any method established or approved by the Manager (e.g. in a book);
- For each receipt at least the date, customer, service/product, amount and cheque number (if relevant) must be recorded;
- Records of cash collections must be kept in a safe place separate from the cash;
- The Manager or delegated person must countersign all void cash receipts or changes to other records;
- Cash collections must be kept in a safe, secure place until they are deposited. Locked cash boxes, desk drawers, filing cabinets and safes all provide varying degrees of security. The amount of cash on hand/collected/received will determine the level of security required;
- Combinations or keys to safes and other cash storage facilities should be restricted to the custodian of the cash and a designated backup;

3.2 Depositing

- The amount of cash handled will determine whether cash is deposited daily, weekly or bi-weekly;

- The cash must be counted and the total recorded in the appropriate form;
- The cash counted must be reconciled to the cash collection records before it is deposited. Any discrepancy must be recorded, followed up and resolved, but not delay the depositing of the cash;
- The cash should be taken to the Supervisor/Manager for review and the Supervisor/Manager should sign that he/she agrees with the total cash counted by the Cashier/ Cash Handler;
- The Supervisor/Manager should ensure that cash counted agrees to the deposit slip;
- Adequate security measures should be implemented when transporting cash, even within the municipality grounds;
- The deposit is to be made into the clearly designated Sedibeng District Municipality primary bank account.

3.3 Reconciling and Monitoring

- The cash collected should be counted and balanced to the cash record at the end of each day;
- In case the cash does not balance, the supervisor should report the matter daily to the Chief Financial Officer or delegated official;
- Appropriate disciplinary action should be taken against any employee who incurred cash shortages;
- Where relevant, cash should be reconciled prior to handover to another person (e.g. for the next shift or to a backup);
- The person responsible for the reconciliation function must review/check the accuracy of records on a regular basis, including that the totals receipted and deposited agree;

- The cash deposits listed in the monthly financial (fund) reports should be reconciled to the department's records of cash collections;
- Such reconciliation is to be cross referenced with the primary bank account statements;
- A dated and signed record of the reconciliation should be prepared and filed;
- Any material differences in the reconciliation must be recorded, investigated and resolved;
- If pre printed receipt books are used, the unused books should be kept in a safe place under the control of a person other than those involved in the collecting & receipting of cash;

3.4 Amendment and Review of the Policy

The Cash Handling Policy shall be reviewed at the discretion of the CFO due to changing circumstances as a result of the legislation or otherwise.