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# **DRAFT CASH RECEIPTS AND BANKING POLICY**



## **THABA CHWEU LOCAL MUNICIPALITY**

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## CASH RECEIPTS AND BANKING POLICY

### 1. Statutory framework

- 1.1 In terms of section 7(1) of the Local Government: Municipal Finance Management Act 2003 (Act No 56 of 2003) (MFMA) the Municipality must open and maintain at least one bank account in its name. All money received by the Municipality must promptly be paid into its bank account or accounts. The Municipality may not open a bank account abroad, with an institution that is not registered as a bank in terms of the Banks Act, 1990 (Act No. 94 of 1990) or otherwise than in the name of the Municipality.
- 1.2 The Municipality must have a primary bank account. If the Municipality has only one bank account, that account is its primary bank account. However, if the Municipality has more than one bank account, it must designate one of its bank accounts as its primary bank account. The following moneys must be deposited into the Municipality's primary bank account -
- (a) all allocations to the municipality, including those made to it for transmission to an external service-delivery mechanism assisting the Municipality in the performance of its functions;
  - (b) all income received by the Municipality on its investments;
  - (c) all income received by the Municipality in connection with its interest in any municipal entity, including dividends;
  - (d) all money collected by an external service-delivery mechanism on behalf of the Municipality; and
  - (e) any other moneys as the Minister of Finance may prescribed by regulation.

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- 1.3 The transfer of an allocation of money by another organ of state in the national, provincial or local sphere of government to the Municipality must be made through the Municipality's primary bank account. The Municipal Manager must submit to the National and Provincial Treasuries and the Auditor-General, in writing, the name of the bank where the primary bank account of the Municipality is held and the type and number of the account. If the Municipality wants to change its primary bank account, it may do so only after the Municipal Manager has informed the National Treasury and the Auditor-General, in writing, at least 30 days before effecting the change.
- 1.4 Section 9 of the MFMA requires that the Municipal Manager must submit to the Provincial Treasury and the Auditor-General, in writing within 90 days after the Municipality has opened a new bank account, the name of the bank where the account has been opened, and the type and number of the account and annually before the start of a financial year, the name of each bank where the Municipality holds a bank account, and the type and number of each account.
- 1.5 The Municipal Manager must administer all the Municipality's bank accounts and is accountable to the Council for the Municipality's bank accounts but may delegate these duties to the Chief Financial Officer.
- 1.6 Section 11(1) of the MFMA empowers the Municipal Manager or the Chief Financial Officer or another senior financial official acting on the written authority of the Municipal Manager, to withdraw money or authorise the withdrawal of money from any of the Municipality's bank accounts. Money may be withdrawn from the Municipality's bank accounts only to -
- (a) to defray expenditure appropriated in terms of an approved budget;
  - (b) to defray expenditure authorised by the MEC for finance if the Municipality has failed to approve a budget before the end of the financial year, until a budget is approved;
  - (c) to defray unforeseeable and unavoidable expenses for which no provision has been made in the budget that was authorised by the Mayor in emergency or other exceptional circumstances;

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- (d) in the case of a bank account opened for the purpose of a relief, charitable or trust fund established by the Council, to make payments from the account for the purpose for which the fund was established;
  - (e) to pay over to a person or organ of state money received on behalf of that person or organ of state, including money collected by the Municipality on behalf of that person or organ of state by agreement or any insurance or other payments received by the Municipality for that person or organ of state;
  - (f) to refund money incorrectly paid into a bank account;
  - (g) to refund guarantees, sureties and security deposits;
  - (h) for cash management and investment purposes;
  - (i) to defray increased expenditure in terms of section 31 of the MFMA; and
  - (j) for such other purposes as may be prescribed.

1.7 The Municipal Manager may not authorise any official other than the Chief Financial Officer to withdraw money or to authorise the withdrawal of money from the Municipality's primary bank account if the Municipality's primary bank account is separate from its other bank accounts.

1.8 The Municipal Manager must within 30 days after the end of each quarter table a consolidated report of all withdrawals made in terms of paragraph 1.6(b) to (j) during that quarter in the Council and submit a copy of the report to the Provincial Treasury and the Auditor-General.

1.9 Section 12(1) of the MFMA do not empower any political structure or office-bearer of the Municipality to set up a relief, charitable, trust or other fund of whatever description except in the name of the Municipality. The Municipality may open a separate bank account, in the name of the Municipality, for the purpose of a relief, charitable, trust or other fund.

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Money in a separate account may be withdrawn from the account without appropriation in terms of an approved budget by or on the written authority of the Municipal Manager acting in accordance with decisions of the Council and for that purposes for which, and subject to any conditions on which, the fund was established or the money in the fund was donated.

## **2. Policy objectives**

The objectives of this policy are –

- (a) to ensure that the Municipality's bank account(s) are effectively managed and accounted for; and
- (b) to ensure that receipts of revenue are adequately safeguarded and accounted for, and
- (c) to ensure effective management of all withdrawals from the municipal bank accounts.

## **3. Banking arrangements**

- 3.1 The Municipal Manager is responsible and accountable for the management of the Municipality's bank account(s). The Municipal Manager may delegate such functions, duties and powers in relation to the management of the Municipality's bank account(s) as may be necessary for the effective and efficient administration thereof.
- 3.2 The Municipal Manager may sign any document relating to the management of the Municipality's bank account(s), provided that under no circumstances shall only one person sign payment for the Municipality. The Municipal Manager, in consultation with the Chief Financial Officer, shall appoint at least two additional signatories who shall be senior officials in the Budget and Treasury Office, in respect of such accounts and may amend such appointments from time to time.
- 3.3 In compliance with the requirements of good governance, the Municipal Manager may open a separate bank account for -
  - (a) ordinary operating purposes;

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- (b) the external finance fund;
  - (c) the asset financing fund;
  - (d) capital receipts in the form of grants, donations or contributions from whatever source;
  - (e) trust funds; and
  - (f) the Municipality's self-insurance reserve

3.4 In determining the number of accounts to be maintained, the Municipal Manager, in consultation with the Chief Financial Officer, shall have regard to –

- (a) the likely number of transactions affecting each of the accounts referred to;
- (b) the cost of maintaining more than one bank account;
- (c) the capacity of the Budget and Treasury Office to perform the accounting functions relevant to bank accounts.

3.5 Unless there are compelling reasons to do otherwise and the Council expressly so directs, the Municipality's bank accounts shall be maintained with the same banking institution to ensure pooling of balances for purposes of determining the interest payable to the Municipality on any credit balance.

3.6 The Municipal Manager shall invite bids for the placing of the Municipality's bank accounts after a general municipal election in accordance with the Supply Chain Management Policy. Any new banking arrangements shall take effect from the first day of the financial year next ensuing after a bid has been awarded. However, the Municipal Manager may invite such tenders at any earlier stage, if she/he, after consultation with the Chief Financial Officer, is of the opinion that the services offered by the Municipality's current bankers are materially defective or not cost-effective. Before any tender is invited it will be tabled at a full council meeting for approval of inviting tenders.

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#### **4. Collection and banking of revenue**

- 4.1 The Municipal Manager must implement and enforce the Municipality's credit control and debt collection policy and bylaws and establish effective administrative mechanisms, processes and procedures to collect money that is due to the Municipality. All monies due to the Municipality must be collected as soon as possible, either before or on the due date. Every departmental head shall be responsible for the collection of all moneys falling within the ambit and area of her/his designated functions.
- 4.2 Except when the Chief Financial Officer has authorised a department to receive monies paid to the Municipality, the Budget and Treasury Office must receive all payments. No cash payment may be accepted unless an official receipt can be issued immediately.
- 4.3 The Chief Financial Officer must ensure that all monies received by any department other than the Budget and Treasury Office are regularly paid to her/his department, alternatively deposited into the bank account of the Municipality designated by the Chief Financial Officer.
- 4.4 All monies received must be deposited in the Municipality's bank account designated by the Chief Financial Officer not later than the first working day after its receipt.
- 4.5 Every departmental head must without delay in writing notify the Chief Financial Officer of any monies due to the Municipality and the reasons why such monies are owed must be expounded in such notification. All amounts owing to the Municipality must be levied by way of a debit in the applicable debtors system.
- 4.6 The Chief Financial Officer shall ensure that –
- (a) all revenues are properly accounted for;
  - (b) the Municipality's accounting system -
    - (ii) recognises revenue when it is earned; and

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(iii) accounts for debtors and receipts of revenue.

## **5. Writing off of arrears debt**

5.1 The Chief Financial Officer shall co-ordinate the collection of all arrear revenues and the control of arrear accounts in terms of the relevant policies. If it is clear that any revenues are not recovered or are unlikely to be recovered after the prescribed steps have been taken, the Chief Financial Officer shall report the matter adequately and timely to the Municipal Manager.

5.2 The Chief Financial Officer shall ensure that adequate provision is maintained to cover the writing off of irrecoverable revenues, having due regard for the Council's policies on rates and tariffs. No amount owing to the Municipality may be written off as irrecoverable without the approval of the Council.

## **6. Permissible methods of payment**

6.1 Subject to the provisions of paragraph 6.2 a debtor may settle her/his debt with the Municipality by -

- (a) cash payment at a pay point of the Municipality;
- (b) stop-order in favour of the Municipality against her/his bank account;
- (c) any approved third party collection agency, that has been duly authorised by the municipality,
- (d) credit/debit card; or
- (e) direct electronic transfer or deposit into the Municipality's bank account.



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6.2 An employee of the Municipality who is appointed on the permanent establishment in a permanent capacity or for a fixed period and a councillor shall, if the consumer service agreement required in terms of the Municipality's credit control policy is made in her/his name, grant irrevocable authority to the Municipal Manager to deduct from her/his monthly pay the full amount owing in respect of services provided by the Municipality and property rates in respect of property concerned and to pay that amount over to the Municipality, provided that -

(a) the due date for paying consumer and rates accounts in respect of employees of the Municipality and councillors shall be the date on which their salaries are paid; and

(b) any councillor/employee of the Municipality who has not complied with this requirement within 30 days after this policy becomes effective, the Chief Financial Officer is then authorised to act in accordance with Schedule 1 Section 12a and Schedule 2 Section 10 of the Systems Act, 32 of 2000.

6.3 In order to reduce the risk of theft and robbery the Chief Financial Officer shall encourage debtors to affect payment by any method in paragraph 6.1(c), (d) and (e).

6.4 A debtor who settles her/his debt to the Municipality using a payment option other than that stipulated in paragraph 6.1(a) shall ensure that her/his account number with the Municipality is clearly indicated on any deposit slip or other confirmation of payment issued.

## **7. Receipts**

7.1 The receipt of all monies must immediately be recorded by means of a numbered official receipt or ticket or in any other way approved by the Chief Financial Officer.

7.2 No alterations shall be made to a receipt, ticket or other form of acknowledgement of payment.

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- 7.3 Any error that appears on a receipt, ticket or other form of acknowledgement of payment must be corrected by issuing a new receipt and the cancellation of the erroneous one.
- 7.4 Every cancelled receipt form must be returned to its proper place in the receipt book or, in the absence of a receipt book, filed according to the instructions of the Chief Financial Officer.
- 7.5 Any cash surplus found at any time must immediately be declared, a receipt issued for the amount of such surplus and deposited without delay to the credit of the appropriate account.
- 7.6 Any cash deficits must immediately be reported to the departmental head concerned and supplemented (pay in the shortage and/or deduct it from the next salary) by the relevant employee.

## **8. Security of cash and at pay points**

### **8.1 The Municipal Manager shall –**

- (a) regularly, in consultation with the Chief Financial Officer and the Internal Auditor, assess the impact and likelihood of loss to monies received due to theft, robbery or fraud or its destruction; and
- (b) implement such measures as may be necessary, which may include structural changes to pay point facilities and prescribing procedures, to reduce the risk of loss of monies received through theft, robbery or fraud or its destruction.

### **8.2 Nobody shall instruct or permit an employee who is responsible for receiving payments made to Municipality not to comply with any security measures or procedures prescribed by the Municipal Manager in terms of paragraph 8.1(b).**

### **8.3 Whenever loss or destruction of monies received occurs, the Chief Financial Officer shall –**

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- (a) as soon as practicable after she/he became aware of the matter -
    - (i) conduct or commission an investigation of the circumstances of the loss or destruction; and
    - (ii) determine the amount of the loss or damage the Municipality suffered;
  - (b) take appropriate action to –
    - (i) recover any loss the Municipality may have suffered; and
    - (ii) prevent a recurrence of the event; and
  - (c) in appropriate cases –
    - (i) institute disciplinary action; and
    - (ii) report the matter to the South African Police Services.

8.4 An employee who fails or refuses to implement or to comply with any security measures and procedures prescribed by the Municipality Manager in terms of paragraph 8.1(b) shall be guilty of a disciplinary offence. In any disciplinary enquiry pursuant to paragraph 8.3(c) it shall not be a defence for an employee accused of misconduct to submit that she/he acted under the instructions of another employee or a councillor if it is found that she/he did not comply with any security measures or procedures prescribed by the Municipal Manager.