

EMNAMBITHI/LADYSMITH MUNICIPALITY



DRAFT

CASH MANAGEMENT POLICY

In an attempt to ensure that the cash resources of the municipality are handled effectively and efficiently, as required by section 13 (2) of the Municipal Finance Management Act No: 56 of 2003, the Emnambithi/Ladysmith Municipality hereby approves the Cash Management Policy.

DEFINITION OF KEY WORDS

In this policy the following words shall have the meanings assigned as follows: -

1. **“Act”** means the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003),
2. **“Accounting Officer”** refers to the Municipal Manager of the municipality,
3. **“Finance Department”** refers to the municipal department dealing with the financial affairs of the municipality,
4. **“Chief Financial Officer”** refers to the head of the Budget and Treasury Business Unit,
5. **“Liquidity”** refers to a financial ability of the municipality or any other company to service its debts when falling due,
6. **“MFMA”** refers to the Municipal Finance Management Act, (Act 56 of 2003),
7. **“Minister”** refers to a Cabinet member responsible for finance,
8. **“Policy”** refers to the Cash Management Ladysmith Municipality.
9. **“Municipality”** refers to Emnambithi/Ladysmith Municipality.

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1. LEGAL COMPLIANCE

In terms of Section 13 (2) of the Municipal Finance Management Act (Act no. 56 of 2003), municipalities are required to establish an appropriate and effective **Cash Management Policy**, in accordance with any framework that may be prescribed by the Minister acting with the concurrence of the Cabinet member responsible for local government and consistent with the Municipal Cash Management and Investment Regulations.

National Treasury, through Government Gazette No: 27431, published Municipal Investment Regulations, which municipalities are required to apply **as guidelines** when preparing a Cash Management and Investment Policy with effect from 1 April 2005.

2. SCOPE OF THE POLICY

This policy applies to the Emnambithi/Ladysmith Municipality and any municipal entity established by the Emnambithi/ Ladysmith Municipality under its area of jurisdiction, in terms of the Act.

3. OBJECTIVES OF THE POLICY

The objectives of the Cash Management Policy of the Emnambithi/Ladysmith Municipality are as follows: -

- Ensuring that cash resources are managed efficiently and effectively.
- Ensuring that adequate liquidity is maintained at all times, for management of cashflows,
- Ensuring that monies due to Council are collected and banked appropriately as soon as they are received, and
- Ensuring that payments to creditors are made by the due dates.

4. EFFECTIVE CASH MANAGEMENT

All efforts must be made to ensure that: -

- (i) Collection of Cash / Revenue,
- (ii) Payment of Creditors,
- (iii) Management of Proper Cash Flows,
- (iv) Administration of Banking Accounts, and
- (v) Petty Cash Procedures are properly maintained.

4. (i) Collection of Cash / Revenue

The cash collection process as determined by Chapter 9 of the Local Government: Municipal Systems Act (Act 32 of 2000), the Credit Control Policy of Emnambithi/Ladysmith Municipality, and all other legislative requirements, should at all times be adhered to. All joint efforts must at all times be made to ensure that all the stakeholders (e.g. Councillors, Ward Committee Members, Employees of Council, the Business Community, the Church Fraternity, all ratepayers, etc.) of the municipality are encouraged on paying for municipal services through various means (e.g. community radio stations, newspapers, Imbizo, etc.), and be informed

about the implications of non-payment for services. The Credit Control Policy of the Emnambithi/ Ladysmith municipality and all other related pieces of legislation are quite pivotal documents in this regard.

4. (ii) Payment of Creditors

The payment cycle of all **trade creditors** must be strictly maintained as required by the Supply Chain Management Policy, or as per the payment terms stipulated on individual contracts. If there are incentives (e.g. trade discount) favourable to Council when payments are made before due dates, such incentives, where appropriate, must be applied, with the agreement of the Accounting Officer or the Chief Financial Officer. Wherever possible, payments must be effected by means of electronic transfers rather than by cheques, in an attempt of savings in bank charges.

Urgent payments to creditors outside standard process shall only be made with the express approval of the Chief Financial Officer, who shall be satisfied that there are compelling reasons for making such payments, and also in line with the Emnambithi/Ladysmith Supply Chain Management Policy.

4. (iii) Management of Cashflow

The Chief Financial Officer shall maintain a **cashflow system**, and ensure that funds not immediately required are invested on a daily basis. All Departments or Directorates shall in this regard furnish the Chief Financial Officer with their respective cashflow needs on a monthly basis, clearly indicating possible future dates of payments, as well as any possible inflow of cash from other sources of finance arranged by Departments themselves.

4. (iv) Administration of Banking Accounts

The opening / closing of municipal bank accounts, deposits / withdrawals into or from the municipal bank accounts, signing of cheques / appointment of cheque signatories, and signing of other payment documents, are the responsibilities of the Accounting Officer but must be delegated in writing to the Chief Financial Officer.

4. (v) Petty Cash Procedures

All petty cash procedures relating to viz :- (i) Petty Cash Limits, (ii) Petty Cash Custodians per Department or Directorate, (iii) Balancing / Reconciliation of Cash Floats, (iv) Petty Cash Requisitions and Authorisations, (v) Petty Cash Registers, (vi) Supporting Documents, etc. must be handled in terms of the Petty Cash Policy as determined by the Chief Financial Officer.

5. REPORTING REQUIREMENTS

In complying with Section 70(2) of MFMA, the Chief Financial Officer must report to the National Treasury / Provincial Treasury and Council whenever the consolidated bank balances shows a net overdrawn balance for a period exceeding **“14 working days” (two weeks)**.

Such report must at a minimum provide: -

- The amount by which the accounts are overdrawn,
- Reasons for the overdrawn accounts, and
- Steps taken or to be taken to correct the situation.

6. ACCOUNTING FOR TRUST FUNDS

Unless required otherwise by trust deeds, trust funds will be invested within the terms of this policy but be recorded separately in the Ladysmith Municipality's accounting system. If pooled with Municipality investments, trust funds will earn the average interest rate applicable to the municipality. The requirements as stipulated by Trust Deed will take priority.

7. RAISING OF DEBT

Municipal debt (short or long term) shall be raised in strict compliance with the requirements of Section 46 of the Municipal Finance Management Act (Act 56 of 2003), and the Accounting Officer is responsible for the raising of debt with full approval of Municipal Council.

8. ACCOUNTING TREATMENT OF INTEREST EARNED ON MUNICIPAL BANK ACCOUNTS

The interest accrued on all municipal bank accounts shall, in compliance with the requirements of Generally Recognised Accounting Practice (GRAP), be budgeted for and recorded in the first instance in the municipality's operating account (income statement) as ordinary operating revenues, and may thereafter be appropriated to the fund or account in respect of which such investment was made depending on the conditions which apply to the fund or account. Interest earned on municipal bank accounts can also be appropriated through Council Resolution to any priorities of Council, such as funding the Asset Finance Fund, etc.

9. AUTHORITY AND CONTROL AND REVIEW OF THE POLICY.

This Cash Management Policy is the sole policy governing cash management of the Emnambithi/ Ladysmith Municipality and this policy will be reviewed annually, or whenever the Accounting Officer and the Chief Financial Officer deem it necessary for this policy to be reviewed.

The Accounting Officer will develop and implement procedures for the benchmarking and evaluation of the performance of this policy to meet the objectives as stated within this policy.

NB: The municipal manager shall ensure that this policy is placed in the Municipality's official website.

16. REFERENCES

1. Local Government: Municipal Finance Management Act, (Act 56 of 2003),
2. Local Government: Municipal Systems Act, (Act 32 of 2000),
3. Municipal Supply Chain Management Policy, and
4. SALGA and IMFO: Local Government Financial Best Practice Manual