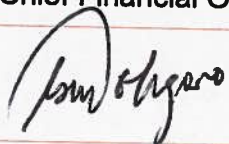


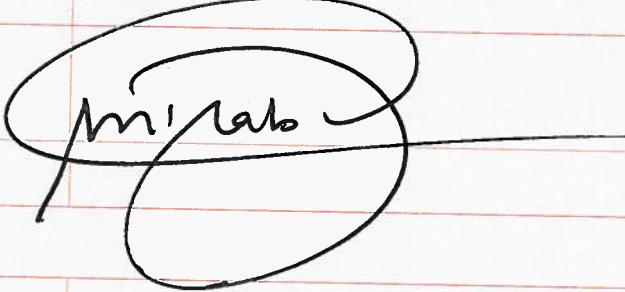


**public works**

Department:  
Public Works  
REPUBLIC OF SOUTH AFRICA

## BANK AND CASH MANAGEMENT POLICY

Prepared by:	Mr Cox Mokgoro
Designation:	Chief Financial Officer
Signature:	
Date:	11 - 10 - 2013

Approved by:	Mr Mziwonke Dlabantu
Designation:	Director-General
Signature:	
Date:	

Effective date:	01 April 2013
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# Bank and Cash Management Policy

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# Bank and Cash Management Policy

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## 1. Purpose and objectives

1.1. The purpose of this document is:

- a) to provide the Property Management Trading Entity (PMTE)'s standard accounting policies for the management, recording and accounting for transactions relating to banking, cash management;
- b) To maintain a healthy cash flow management that allows the PMTE to deliver services in the most efficient and cost effective manner; and
- c) To assist the Accounting Officer to discharge his/her responsibility of ensuring efficient and effective banking and cash management as contemplated by section 7 of the PFMA and Treasury Regulation 15.10.1.1.

## 2. Scope

- 2.1. This policy document covers transactions relating to banking and cash management.
- 2.2. The policy applies to all divisions and functions within the PMTE, including Regions.
- 2.3. This policy supersedes all previous policies which were applicable to Bank and Cash Management.

## 3. Definitions

3.1. The terms included hereunder shall, unless the context indicates otherwise, have the meanings ascribed hereto:

- **Accounting Officer** is the Accounting Officer as defined in section 1 of the PFMA. The Accounting Officer is the Director-General of the Department of Public Works.
- **Accounting period** refers to the 12 months period of trading commencing from 1 April of one year and ending on 31 March of the following year.
- **Cash** comprises cash on hand and demand deposits.
- **Cash equivalents** are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- **Fair Value** refers to the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at arms' length transaction.
- **Financial Asset is:**
  - Cash;
  - residual interest of another entity;
  - contractual right to:
    - receive cash or another financial asset from another entity; or

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- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.
- **Head of the trading entity** refers to either –
  - the Accounting Officer appointed in terms of section 36(3)(b) of the Act; or
  - an official assigned to head the trading entity in terms of section 44(1)(a) of the Act.
- **Petty cash** means cash available for small purchases. The limit of which amount will be set by the PMTE.
- **Private money** refers to money which does not belong to the state or money which belongs to a private individual/ third party.

### 4. Legislative framework

- 4.1. The Public Finance Management Act ("PFMA") no 1 of 1999, Section 38(1) requires the Accounting Officer of a Department to ensure that the Department, trading entity or constitutional institution has and maintains an effective, efficient and transparent system of Financial and risk management and internal control.
- 4.2. This document was developed in accordance with PFMA Section 7, Treasury Regulations Para 15 and Standards of Generally Recognised Accounting Practise (GRAP).
- 4.3. The PMTE Entity is a Trading Entity of the Department of Public Works as defined by the PFMA. This Accounting Policy has been developed within the specific governance framework applicable to the Department.

### 5. Bank and Cash Management

#### 5.1. General background

- 5.1.1. This section outlines the policies to be adopted by the PMTE in order to account for and report on financial transactions relating to banking and cash management. These policies shall be used consistently by operating units of the entity (Petty Cash in case of Regions).
- 5.1.2. The Accounting Officer is responsible for establishing systems, procedures, processes, training and awareness programmes to ensure efficient and effective banking and cash management.
- 5.1.3. Cash flows from operating activities are derived from the main cash-generating activities of the entity, including:
  - a) Cash receipts from charges for goods and services;
  - b) Cash receipts from grants (operating and capital); or transfers made by national government or other entities;



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- c) Cash receipts from penalties, levies and fines;
- d) Cash payments to suppliers for goods and services;
- e) Cash payments to and on behalf of employees; and
- f) Cash receipts or payments in relation to litigation settlements

### 5.2. Accounting systems and processes

- 5.2.1. The PMTE shall implement an accounting system that enables complete, accurate and timely recording of Banking, cash management and investment transactions.

### 5.3. Reconciliations

- 5.3.1. The purpose of a bank reconciliation is to reconcile the Bank Statement balance to the Bank Account balance in the general ledger (GL). Bank reconciliations shall be performed **daily** in order to detect unauthorised entries and reconciling items such as unallocated receipts;
- 5.3.2. Where there are reconciling items and/or errors, adjustments required, these must be resolved and cleared within 30 days. Each reconciling item identified should be supported by valid supporting documents which would qualify as valid audit evidence.

### 5.4. Banking and Cash management

- 5.4.1. All revenue received by the PMTE must be paid daily into its Paymaster-General account or, for amounts less than R500, as soon as practicable, but at least by the last working day of the month.
- 5.4.2. The Accounting Officer is responsible for establishing systems, procedures, processes and training and awareness programmes to ensure efficient and effective banking and cash management.
- 5.4.3. The Accounting Officer must ensure that the PMTE implements and maintains sound cash management practices such that :
  - a) Revenue is collected when it is due and banked within 24 hours;
  - b) Payments are effected, including transfers and subsidies to other levels of government and non-government entities, no earlier than necessary, with due regard to efficient, effective and economical programme delivery and the government's normal terms for account payments;
  - c) No prepayments for goods or services are made (i.e. payments in advance of the receipt of the goods or services), unless required by the contractual arrangements with the supplier;
  - d) Outstanding debtors are pursued with appropriate sensitivity and rigour to ensure that amounts receivable by the entity are collected and banked promptly;
  - e) Cash flow requirements of the entity are forecast correctly so that the National Treasury can optimise its central cash management responsibilities on behalf of the government;

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- f) Action is taken to avoid locking up money unnecessarily and inefficiently, such as managing inventories to the minimum level necessary for efficient and effective programme delivery, and selling surplus or underutilised assets;
- g) Dishonoured cheques are followed up immediately; and
- h) Sufficient segregation of duties is in place to minimise the incidence of fraud.

### 5.5. Revenue and Deposits

- 5.5.1. Revenue must be managed in compliance with the PMTE's Revenue Management Policy.
- 5.5.2. Outstanding money with regards to debtors must be followed up, at least, monthly, collected and banked promptly.
- 5.5.3. Dishonoured warrant vouchers and cheques must be followed up immediately.
- 5.5.4. Private money may not be deposited into an official bank account, except in accordance with the provisions relating to money held in trust for other persons or bodies, nor may state money be paid into a private bank account.

### 5.6. Payments

- 5.6.1. All payments must be effected electronically unless otherwise approved by National Treasury. Payments may not be split to circumvent this regulation and any non-compliance with this regulation constitutes financial misconduct.
- 5.6.2. Credit payments effected through EFT that **exceed R1 000 000** should be validated by an authorisation letter signed by the delegated official.
- 5.6.3. Accepting discounts to effect early payment occurs only when the payment has been included in the monthly cash flow estimates provided to the National Treasury;
- 5.6.4. The CFO or his delegated official must ensure that there are no payments made in advance unless expressly stipulated in an agreement.
- 5.6.5. State money shall not be used to cash private cheques. Any such action would constitute financial misconduct.
- 5.6.6. Invoices due for work completed by suppliers must be paid within 30 days of receipt. Payments must not be effected earlier than necessary by the PMTE.

### 5.7. Petty Cash

- 5.7.1. Where there is a need to have cash available for the payment of petty expenses, prior written approval must be obtained from the Accounting Officer for the establishment of a petty cash facility, including the maximum financial limit for the facility.

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- 5.7.2. Should the need exist for a petty cash facility, the financial limit applicable per transaction will be set at not more than One Thousand Rand (R1 000).
- 5.7.3. The responsibility for keeping and managing the petty cash must be assigned to an employee in writing.
- 5.7.4. Petty cash balance must be reconciled on a daily basis and shortages and excesses investigated and resolved at day end.

### **5.8. Bank Accounts**

- 5.8.1. The PMTE has been granted approval by National Treasury to open a bank account. Only the Accounting Officer or the person to whom such authorisation has been delegated may open a bank account.
- 5.8.2. The PMTE may not borrow funds for bridging purposes and may not run overdrafts on their banking accounts. Where the PMTE needs to have an overdraft facility, prior approval should be obtained from National Treasury as per TR15.10.3
- 5.8.3. The Accounting Officer must ensure that no official in the PMTE borrows money on behalf of the entity or issues an unauthorised guarantee, security or indemnity. The Accounting Officer must ensure that appropriate misconduct or criminal proceedings are instituted against any person responsible for transgressions with regard to borrowings, guarantees, securities or indemnities.
- 5.8.4. Accounting Officer must assign authority in writing to PMTE officials to approve electronic payments.
- 5.8.5. For purposes of issuing tender documents, the PMTE may open a bank account if the National Treasury has not proposed a bank. The PMTE must consider:
  - That the bank is registered with the South African Registrar of Banks;
  - That the bank is a member or sponsored by a member of the Payments Association of South Africa;
  - The bank's contracting with persons, or categories of persons historically disadvantaged by unfair discrimination on the basis of race, gender or disability
  - The cost effectiveness of operating the bank account; and
  - The ability of the bank to provide the required services through adequate systems, infrastructure and branch networks.

### **5.9. Signatories**

- 5.9.1. The Accounting Officer must administer all the PMTE bank accounts and is accountable for proper management of these accounts. The Accounting Officer, together with the Chief Financial Officer, shall determine on the number of signatories on all existing accounts.
- 5.9.2. The determination of bank signatories must be done in accordance with the PMTE Delegation of Authority Policy.



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- 5.9.3. The signatories must be reviewed annually and updated where applicable;
- 5.9.4. The Accounting Officer and CFO must make provision for alternate signatories in the determination of delegated signatories for banking purposes.

### **5.10. Management of transfers and payments from the Main Exchequer Account**

- 5.10.1. Payments and transfers from the Exchequer bank account should be done in accordance with the Delegation of Authority in place. The Post Master General (PMG) account shall be used for both cash receipts and payments.
- 5.10.2. Where the PMTE has an account with any of the commercial banks which is used ONLY for receipts. All cash received into the commercial bank account must be cleared to the PMG account.

### **5.11. Cash flow**

- 5.11.1. The Accounting Officer must ensure that the PMTE's cash management performance is reported on a monthly basis and submit such reports to National Treasury as part of the department's submission.
- 5.11.2. The CFO must report annually, to the department, a breakdown of anticipated revenue and expenditure in the format determined by the National Treasury, no later than the last working day of February preceding the financial year to which it relates.

### **5.12. Bank Overdraft**

- 5.12.1. PMTE, as an entity of the Department, may not borrow money for bridging purposes or run bank overdrafts on their bank accounts without prior approval from National Treasury.

### **5.13. Interest**

- 5.13.1. Interest received and paid should be disclosed separately as revenue and expenditure. The disclosed amounts may differ from those recognised in the financial statements. E.g. where borrowing costs are capitalised, the disclosed amount may differ with the actual amount paid.
- 5.13.2. For cash flow purposes, the classification of interest paid and interest received should be determined by the source:
  - a) Interest paid and interest received from working capital (e.g. bank, receivables and payables) shall be classified as operating cash flows;

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- b) Interest received shall be classified as investing cash flow if it comprises returns on investments (i.e. source = investment);
- c) Interest or similar distributions paid on borrowings shall also be classified as financing cash flow because it is a cost of obtaining finance; and
- d) Interest paid on finance leases should rather be classified as financing cash flow together with the movement in the liability.

5.13.3. This interest classification should be consistent from period to period.

### **5.14. Reporting**

- 5.14.1. The Accounting Officer shall submit to the National Treasury, in writing, the existing banking arrangements in April of each year. These banking arrangements shall include information such as a list of all banking accounts, the name of the bank where the bank account is held, account type and account number.
- 5.14.2. The list of current authorised bank signatories shall be reported to the Department as part of the monthly submission for reporting to National Treasury.

### **5.15. Disclosure**

- 5.15.1. The PMTE shall perform reconciliation between the surplus/deficit and the cash flows from operating activities and disclose it in the Financial Statements as part of the cash flow statement or in the notes to the financial statements.
- 5.15.2. The PMTE shall disclose the components of cash and cash equivalents and should present a reconciliation of the amounts in its cash flow statement with the cash and cash equivalents in the statement of financial position.
- 5.15.3. The PMTE should also disclose the amount of significant cash and cash equivalent balances that are not available for use by the entity.
- 5.15.4. The existing bank overdraft must be disclosed separately as a note to the Financial Statements and must disclose details of the terms and conditions of the overdraft.

## **6. Implementation**

- 6.1. This policy shall be implemented through formal training of key users and on-going support by the process owner.
- 6.2. The Chief Financial Officer is responsible for ensuring that users understand the policy and comply with its requirements.

## **7. Non-compliance**

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- 7.1. The Chief Financial Officer is responsible for ensuring that users understand the policy and comply with the requirements.
- 7.2. Any deviation from this policy will be identified, reported immediately to the Chief Financial Officer and the necessary corrective measures shall be taken.
- 7.3. Any serious or persistent material non-compliance with this policy constitutes misconduct.
- 7.4. If an Accounting Officer is alleged to have committed financial misconduct, the matter must be reported to the Executive Authority for investigation and action. Disciplinary processes must be in accordance with the prescripts applicable in the public service.

### 8. Responsibility

- 8.1. The overall responsibility for adherence and compliance enforcement to this policy lies with the Accounting Officer.

### 9. Approval of the Policy

- 9.1. This policy shall be approved in terms of the delegation of authority by the Accounting Officer.

### 10. Review of policy

- 10.1. The Accounting Officer, with the support of the Financial Planning and Reporting Directorate of the PMTE, shall review the Bank, Cash Management policy, at least, once annually to ensure that it enables the achievement of the PMTE's strategic priorities as well as complies with legislation and regulations.
- 10.2. Any request to amend this policy shall be approved by the Chief Financial Officer and the Accounting Officer before it becomes policy.

### 11. Acronyms

GRAP	Generally Recognised Accounting Practice
PFMA	Public Finance Management Act, Act No. 1 of 1999, as amended
PMG	Paymaster General Account
PMTE	Property Management Trading Entity
TR	Treasury Regulations issued by National Treasury, 2005