



the dr&pw

Department:
Roads and Public Works
NORTHERN CAPE PROVINCE
REPUBLIC OF SOUTH AFRICA

DEPARTMENTAL POLICY ON BANKING AND CASH MANAGEMENT

Version 2
(April 2021)

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1. DEFINITIONS AND ACRONYMS

“AO”/ “HOD”	Refers to the Head of Department (HOD), according to the Public Finance Management Act (PFMA), 1999, who is also the Accounting Officer (AO). The PFMA clarifies the responsibilities of the HOD as Accounting Officer.
“BAS”	Means Basic Accounting System. This information system is a subset of the South African government’s total information system. BAS is a basic accounting system (also cash based) that was developed in 1992 to cater for government’s basic accounting needs. It is maintained by the National Treasury for National and Provincial Departments. Currently there are four major systems, the Personal and Salary Administration System (PERSAL), the Basic Accounting System (BAS), the Financial Management System (FMS) and the Logistical Information System (LOGIS). The various systems are managed as separate stand-alone “silos” and not as a single integrated systems unit.
“CFO”	Means Chief Financial Officer.
“Department” / “DR&PW”	Means the Department of Roads and Public Works, Northern Cape Province.
“EFT”	Means electronic funds transfer, which is the electronic transfer of money from one bank account to another, either within a single financial institution or across multiple institutions, via computer-based systems, without the direct intervention of bank staff.
“MTEF”	Means Medium Term Expenditure Framework.
“PERSAL”	The Personal and Salary System (PERSAL) is the central system used for the administration of the public service payroll. PERSAL is very stable from a payroll perspective. Over the years, PERSAL has expanded by increasing the spectrum of data fields to hold part of the information

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	prescribed by national reporting requirements. In this respect, PERSAL offers personnel administration, holds information in a database of approximately 1,1 million employees, and offers standard and <i>ad hoc</i> reporting. PERSAL was developed in an <i>ad hoc</i> fashion, with developments being mainly driven by legislative requirements rather than a Human Resource Strategy. New developments were therefore not informed by a systems life cycle approach. Salary payment and human resources requirements are integrated into one system and therefore the database cannot be separated.
“PFMA”	Means Public Finance Management Act, 1999, as amended.
“PRF”	Means Provincial Revenue Fund.

2. INTRODUCTION

- 1.1 Paragraph 15.10 of the Treasury Regulations states that *“...the accounting officer is responsible for the establishment of systems, procedures, processes and training and awareness programmes to ensure efficient and effective banking and cash management.”*
- 1.2 Furthermore, paragraph 17.1.1 of the Treasury Regulations (section 40(1) (a) of the PFMA) states that *“...all the transactions of an institution must be supported by authentic and verifiable source documents, clearly indicating the approved accounting allocations”.*

3. POLICY OBJECTIVE

To have a standard method of dealing with all cash transactions, reconciling and clearing all consolidated bank accounts on the financial system as well as compiling and maintaining a cash book of the Department as set out in sections 15 and 17 of the Treasury Regulations.

4. REGULATORY FRAMEWORK

- 4.2 The Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999), as amended).
- 4.3 The Public Accountants' and Auditors' Act, 1991 (Act No. 80 of 1991).
- 4.4 Treasury Regulations, 2005.

5. POLICY SCOPE AND APPLICATION

- 5.1 The AO of the DR&PW of shall manage revenue efficiently and effectively by developing and implementing appropriate processes that provide for the identification, recording, reconciliation and clearing of information about cash management and banking.
- 5.2 The principles in this policy will apply to all employees of the Department whether appointed on a permanent or temporary/contract basis.

6. PROCEDURES

The procedures represent the manner in which these accounts are to be cleared, highlighting the steps to be taken in clearing accounts, methods of investigating discrepancies and relevant actions to be taken. The procedures for Cash and Consolidated Bank Accounts consist of the under-mentioned items:

- a) Bank Exception Account.
- b) Bank Adjustment Account.
- c) BAS Credit Transfer Account.
- d) Cheques Payable Account.
- e) Deposit Account.
- f) Receipt Deposit control Account.
- g) Cash Book and Bank Reconciliation Statement.
- h) Requisitioning of funds by the Department.
- i) Surrender of voted surplus funds (year end savings).
- j) Gifts, donations and sponsorships.
- k) Compliance certificates.

6.1 Bank Exceptions and Bank Adjustment Accounts

This account was created by the Basic Accounting System (BAS), to list all transactions that took place in the bank account of a department. These transactions may consist of money transferred into the bank account and/or money transferred out of the bank account which has not yet been allocated on BAS or that the Department is not aware of. These transactions need to be allocated, recovered or transferred out.

6.1.1 Information Necessary to Clear and Reconcile Bank Exceptions

- a) A matching report on bank exceptions needs to be requested on BAS.
- b) The bank statements for that month need to be requested.



DEPARTMENTAL POLICY ON BANKING AND CASH MANAGEMENT – VERSION 2**6.1.2 Types of Bank Exceptions**

- a) There are two types of bank exceptions, Transfers out (debits) and Transfers in (credits).
- b) Transfers out, may consist of:
- i. petty cash transactions;
 - ii. bank charges;
 - iii. foreign exchange transactions;
 - iv. cash payments (Internet payments, i.e. urgent EFT's);
 - v. transfers above five million rand (R5 000 000,00); and
 - vi. bank errors.
- c) Transfers in, may consist of:
- i. direct deposits and Internet transfers received;
 - ii. deposits made but not yet allocated on BAS;
 - iii. equitable share transfers from Provincial Treasury;
 - iv. bank reversals and bank errors; and
 - v. unpaids and ACB recalls.

6.1.3 Method of Clearing Transfers Out

- a) The following procedures apply to Petty Cash, Cash Payments, Foreign Exchange Payments and payments above five million rand (R5 000 000,00):
- i. Ensure that the payment is valid and that it adheres to all the prescripts.
 - ii. For Petty Cash, capture the payment as a manual cheque, using the reference number on the bank credit transfer form received from Provincial Treasury as the cheque number.
 - iii. The following day, change the serial number appearing on the bank exception report to the reference number used to capture the payment.
 - iv. For all other payments, capture as manual credit transfers.
 - v. The following day, change the serial number on exception to the serial number appearing on the credit transfer account.
 - vi. Authorize the serial number changes and resolve the amount online to the cheques payable account for the manual cheque and to credit transfers for the manual credit transfer payments.
- b) The following procedures apply to Bank Charges:
- i. Resolve the exception to bank adjustments.
 - ii. Draw a journal debiting the objective with the bank charges item and credit the bank adjustments using the serial number on the report.



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- iii. Make copies of the report and the bank statement and attach it to the journal as supporting documentation and obtain authorization.
 - iv. Capture and authorize the journal.
- c) The following procedures apply to Bank Errors:
- i. Bank errors are identified when the Department did not make a payment and funds went through the bank account.
 - ii. The bank needs to be contacted in order for them to do a reversal. When the reversal is done, the correction will come through as a transfer in.
 - iii. A serial change must be done, changing the serial number of the error to that of the correction.

6.1.4 Method of Clearing Transfers In

- a) The following procedures apply to Direct Deposits and Internet Transfers.
- i. The bank has to provide proof of the deposit or transaction made, by means of a deposit slip on a transfer report.
 - ii. Once this proof is received, the Department can determine how to allocate the amount.
 - iii. After allocation is determined, a journal needs to be drawn, debiting the bank adjustment and crediting the revenue allocation or the applicable allocation codes.
 - iv. Obtain authorization and capture on BAS.
 - v. Cash received by the Department must be deposited by the following day, or in cases of amounts received less than one hundred rand (R100,00), on the last working day of the month.
 - vi. Amounts received at year-end, must be deposited by 14h:00 on the last working day of the financial year.
- b) The following procedures apply to Equitable Share received:
- i. Equitable shares are transferred at regular intervals by Provincial Treasury as requested by the Department.
 - ii. The Department must by the fifth day of each month submit a cash flow requisition to Provincial Treasury.
 - iii. The amount must be resolved to bank adjustments.
 - iv. A journal must be drawn debiting bank adjustments and crediting the exchequer grant account for voted funds and/or statutory as indicated on the requisition memo.
 - v. The requisition memo obtained from Provincial Treasury must be attached to the journal as supporting documentation.



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- vi. Authorization for the journal must be obtained and then captured on BAS.
- c) The following procedures apply to Unpaid:
- i. An unpaid is an amount returned by the bank for a payment that has been made on BAS for which the bank account details for the beneficiary is incorrect on BAS.
 - ii. The bank details on BAS first needs to be rectified in order for the payment to be re-issued.
 - iii. Once the bank details are corrected, the amount must be resolved from the exception account to the Unpaid/Recall BAS EBT account.
 - iv. Once in the Unpaid/Recall BAS EBT account, the payment can be automatically re-issued.
- d) The following procedures apply to ACB Recalls:
- i. An ACB recall is made when the Department recalls an amount paid due to reasons such as wrong amount, wrong beneficiary and wrong bank details.
 - ii. For wrong bank details, the same procedure is followed as an unpaid.
 - iii. For ACB recalls, the amounts is resolved to the unpaid/recall account and automatically cancelled. This transaction will automatically reverse the payment made.

6.2 BAS Credit Transfer and Cheques Payable Account

This account is used for urgent payments made by Provincial Treasury or for payments made above the amount of five million rand. Payments above five million rand cannot be processed on BAS and must therefore be made by Treasury. A credit in this account means that the payment was captured but not cleared or the transfer not made.

6.2.1 Method of Clearing

- a) The transfer of the payment must be made. Once the transfer is made, the debit amount will be allocated to the bank exception account.
- b) After the amount is in the bank exception account the payment has to be captured on BAS as a manual credit transfer or manual cheque.
- c) The following day the amount will appear on the BAS Credit Transfer or Cheques Payable Account as a credit.
- d) The serial number in the bank exception account needs to be changed to the serial number on the BAS Credit Transfer Account, after which the amount needs to be resolved to the BAS Credit Transfer Account; or
- e) The serial number in the bank exception account needs to be changed to the cheque number on the bank statement, after which the amount needs to be resolved to the Cheques Payable Account.



6.3 Deposit Account and Receipt Deposit Control Account

This account was created to indicate all deposits that were captured on BAS, but not yet deposited at the bank, or not yet allocated on BAS. This account allows the Department to monitor cash that must be deposited. This account will not be cleared if there should be discrepancies in the amount deposited and in the amount captured on BAS.

6.3.1 Method of Clearing

- a) A matching report on the deposit account must be requested to determine which deposits and receipts were not cleared and reconciled.
- b) If the deposit account has a debit balance, it means that the receipts has been allocated on BAS, but not yet deposited at the bank, or reconciled to the deposit account.
- c) The official dedicated to clearing this account must investigate whether a deposit was made or not. Should a deposit not have been made, the deposit must be done and then reasons must be stipulated why the deposit was not made.
- d) Once the deposit is made, the credit will appear as a transfer in on the bank exception account. It must then be resolved to the deposit account.
- e) A matching report on the receipt deposit control account must be requested to determine if all receipts were allocated to the general ledger.
- f) Debit balances on this account means that the receipts were not duly authorized by an authorizer on BAS.
- g) The receipts and the applicable deposit must be retrieved and submitted to the delegated official for authorization and finalization.

6.4 Cash Book and Bank Reconciliation Statement

A Bank Reconciliation Statement is automatically generated by BAS in order to indicate outstanding transactions and to indicate the cash available for the Department. The Cash Book on the other hand was internally developed to substantiate the amounts reflected on the Bank Reconciliation Statement. The Cash Book is divided into two sections namely, expenditure and receipts. The two sections were created to determine exactly all receipts and revenue received and all expenditure transacted within the bank account.

6.4.1 Information Necessary for Compiling a Cash Book

- a) A details report on bank exceptions needs to be requested on BAS.
- b) The bank statements for that month need to be requested.
- c) Expenditure Report per Month.
- d) Outstanding BAS and PERSAL Payment Reports.
- e) Bank Adjustment, Deposit, Deposit Receipt Control, Cheques Payable and BAS credit transfers reports.

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- f) All memorandums for equitable shares transferred by Provincial Treasury.

6.4.2 Procedure for Compiling a Cash Book**6.4.2.1 Receipts**

- a) All equitable share funds received must be plotted onto the Cash Book. The funds received are further broken down into Voted, Statutory, Conditional Grants and Unauthorized Expenditure approved. This amount must coincide with the memorandum requisitions received from Provincial Treasury.
- b) All own revenue received must also be plotted on the Cash Book. The revenue is further broken down into Sale of Goods and Services, Sale of Capital Assets, Interest, Rent on Land and Dividends Received as well as in Transactions in Assets and Liabilities. This reflects the total revenue received for the month.
- c) A detail report on bank exceptions is used to identify all other receipts not allocated as own revenue. These amounts must be plotted individually on the Cash Book as cash received. Explanations on what these amounts are for, must be disclosed.
- d) Any unpaids and ACB recalls must be plotted individually as to show what action was or needs to be taken.
- e) The entire amount indicated above will reflect all money that has been received by the Department.

6.4.2.2 Expenditure

- a) All expenditure made must be plotted onto the cash book. These amounts are extracted from the expenditure per month reports. The expenditure is further broken down into Compensation, Goods and Services, Transfers and Subsidies, Unauthorized, and Capital Payments. This represents all payments that were allocated.
- b) All payments that were made and that were not included in the expenditure reports, such as Travel and Subsistence Advances and payments out of suspense accounts, must be recorded individually so as to account for all money transferred out of the Department's bank account.
- c) The reconciliation to the bank balance as at month-end must now be done on the cash book. The total receipts less the total expenditure must reconcile to the bank balance at month-end.
- d) The reconciliation from the bank balance to the cash book total on the Bank Reconciliation Statement must be done. The bank balance less all outstanding payments (BAS and PERSAL), less unallocated credits (i.e. deposits) and unallocated debits (those payments not yet allocated) must equal the cash book balance.



6.5 Requisitioning of Funds

The Department must, unless directed otherwise by Provincial Treasury, at least by four (4) working days after month-end, submit a cash flow requisition to Provincial Treasury. The purpose of the cash flow requisition is to request portions of its equitable share, statutory appropriation and conditional grants to compensate for commitments and daily operational expenditure.

6.6 Surrenders of Voted Surplus Funds

6.6.1 Paragraph 15.8.1 of the Treasury Regulations states that *“At the end of each financial year, and after the books of account of a department have been closed, the accounting officer of must surrender to the relevant treasury any unexpended voted money, for re-depositing into the Exchequer bank account of the relevant revenue fund”*.

6.6.2 The Department in this instance, will surrender the unspent funds to treasury annually after the month of March has been closed (audit final closure) on the financial system, i.e. BAS. This amount must reflect in the audited annual financial statements of the Department.

6.7 Gifts, Donations and Sponsorships

6.7.1 Section 21.2.1 of the Treasury Regulations states that *“The accounting officer may approve the acceptance of any gift, donation or sponsorship to the state ...”* Section 21.2.2 of these regulations further directs that *“all cash gifts, donations and sponsorships must be paid into the relevant revenue fund ...”*

6.7.2 The following procedure must then be followed when cash gifts, donations and sponsorships are received:

- a) The Accounting Officer has to approve the acceptance of cash gifts, donations and sponsorships.
- b) Should the funds be transferred into the bank account, the Department shall transfer the funds to the PRF.
- c) The Department shall, in writing, inform Provincial Treasury of the donation, as well as the purpose thereof.
- d) The funds should then be requested from the PRF.
- e) Once the funds is received and allocated, it must be spent for the purpose intended.
- f) In addition, paragraph 21.2.4 of the Treasury Regulations also states that *“All gifts, donations and sponsorships received during the financial year be disclosed as a note to the financial statements ...”*

7. COMPLIANCE CERTIFICATES

- 7.1 The Department must, by the 15th day of each month, submit monthly compliance certificates to Provincial Treasury. The compliance certificate consists of the following annexures as prescribed by National Treasury Practice note 1 of 2007/08:
- a) Annexure A – Certificate of Compliance.
 - b) Annexure B – Minimum Financial Management Performance Indicators.
 - c) Annexure C – Month-end closure dates to meet reporting requirements.
 - d) Annexure D – Additional departmental information to the Certificate of Compliance.
 - e) Annexure E – Minimum departmental Performance Indicators not included in Practice Note 1 of 2007/08.
- 7.2 This practice note is updated annually by National Treasury at the beginning of the Financial Year in order to adjust the month-end closure dates.
- 7.3 The above-mentioned accounts were devised by the National Treasury to assist departments to account for all cash in the bank. In addition, it assists departments to present a favourable bank balance and to avoid bank overdrafts and ensure accountability as set out in the PFMA.

8. MONITORING AND EVALUATION

- 8.1 The monitoring and evaluation (M&E) for the effective implementation of this policy will be carried out by the departmental Monitoring and Evaluation Unit, in conjunction with the Unit(s) responsible for, and involved in, banking and cash management, on an ongoing basis.
- 8.2 The CFO shall monitor the implementation of this policy and shall report any deviations to the Accounting Officer (HOD) in writing.

9. POLICY REVIEW

- 9.1 The assessment to determine the effectiveness and appropriateness of this policy will be done five (5) years after its effective date. The assessment could be performed earlier than five (5) years to accommodate any substantial structural or other organizational changes at the Department or any change required by law.
- 9.2 This policy shall be reviewed to specifically factor in changes in legal frameworks, organisational development, political and economic trends, and envisaged outputs by the MTEF as well as the outcomes of monitoring and evaluation processes.



9.3 Deviations from this policy must be approved by the AO.

10. APPROVAL OF THE POLICY AND DATE OF EFFECT

This policy is Approved ~~Not Approved~~


Comments:

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ACCOUNTING OFFICER

20/04/21
DATE



the dr&pw

Department:
Roads and Public Works
NORTHERN CAPE PROVINCE
REPUBLIC OF SOUTH AFRICA

INTERNAL MEMO

DATE:	08 APRIL 2021	REF. NO.	
TO:	THE DIRECTOR: STRATEGIC PLANNING MANAGEMENT		
FROM:	THE DEPUTY DIRECTOR: POLICY AND RESEARCH MANAGEMENT SERVICES		
SUBJECT:	SUBMISSION FOR APPROVAL OF REVIEWED DEPARTMENTAL POLICY DOCUMENTS		

Dear Ms. Bekebeke

Please find attached the final drafts of the reviewed departmental policy documents on Banking and Cash Management; Revenue Management; Gifts and Donations; Security Breaches; and Sport and Recreation, for your perusal and consideration. The above mentioned policy documents has been circulated departmentally for consultation and inputs for review, and it is hereby submitted for approval by the Acting Head of Department (HOD).

Regards,

Mr. T. Ferreira
Manager: Policy and Research Management Services



the dr&pw

Department:
Roads and Public Works
NORTHERN CAPE PROVINCE
REPUBLIC OF SOUTH AFRICA

**EVIDENCE OF CONSULTATION WITH
DEPARTMENTAL STAKEHOLDERS**

**REVIEWED DEPARTMENTAL POLICIES
ON:**

- 🚧 BANKING AND CASH MANAGEMENT;**
- 🚧 REVENUE MANAGEMENT;**
- 🚧 GIFTS AND DONATIONS;**
- 🚧 SECURITY BREACHES; AND**
- 🚧 SPORT AND RECREATION.**

**SUBMISSION FOR APPROVAL
08 APRIL 2021**

From: DRPW-Info
To: A AMokwadi; A Maina; A van Staden; ABrand; ACLouw; AFembers; AKula...
Date: 2/26/2021 8:34 AM
Subject: REVIEW OF POLICIES: BANKING & CASH MANAGEMENT AND REVENUE MANAGEMENT
Attachments: DR&PW Approved Banking & Cash Man Policy - March 2017.pdf; Approved DR&PW R
evenue Management Policy - 20-05-2016.pdf

Good day Colleagues,

Kindly find the attached DR&PW policies on Banking & Cash Management as well as on Revenue Management respectively, which need to be reviewed.

The due date for inputs/feedback from staff on the review of the above policies is Friday, 05 March 2021 and inputs can be e-mailed to tferreira@ncpg.gov.za
Thank you