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Ever since I was a young boy, Security Services have been the norm in South Africa.

These services are more needed in places where large numbers of people gather, i.e. in shopping centres, and to an extent, Sectional Title Schemes, and where access to, and control of people, in such areas needs to be monitored.

But, what exactly is the Law pertaining to community Schemes such as a Sectional Title Scheme appointing Security Services for their complex?

Section 37(1)(r) of the Sectional Titles Act ("the Act"), provides that the Body Corporate is obligated to control and manage the common property. The procuring of Security Services is within this function.

Section 38(j) of the Act provides that the Body Corporate has the power to do all things reasonably necessary for the enforcement of the Rules and for the control and management of the Common

Property. Again, this Section empowers the Body Corporate to procure Security Services for the Complex.

Prescribed Management Rule 26 to the Act, provides that the Trustees have the power to appoint Agents and Employees in connection with the control, management and administration of the Common Property, thus empowering the Body Corporate, to secure Security Services, and if allowed by the Law, to employ individuals to provide Security Services to the Complex.

Prescribed Management Rule 27 to the Act, provides that if an agreement is entered into by the Body Corporate with a Security Company, the Trustees or a Trustee and the Managing Agent must sign the Agreement for it to be valid and binding.

It is therefore clear that the Body Corporate can indeed procure the services of a Security Company, thereby fulfilling its function to control and manage the Common Property.

However, can a Body Corporate Hire employees to act as Security Guards in the Complex?

Section 20 of the Private Security Industry Regulation Act, provides that no person may, in any manner, render a Security Service for remuneration, unless such person is in fact registered as a Security Services Provider, in terms of the Act.

The Definition in the Act of a Security Service is very wide and includes protecting or safeguarding a person or property in any manner.

In terms of Section 21 of the Act, one must apply for Registration as a Security Service Provider to the Private Security Industry Regulatory Authority.

Section 23 of the Act provides that any person may register as a Security Service Provider. In order to do so, amongst other items, they must be a Citizen or Permanent Resident of South Africa and have complied with the relevant prescribed training requirements.

Section 38 of the Act states that any person who contravenes or fails to comply with Section 20(1) is guilty of an offence, and subject to a fine or imprisonment not exceeding 5 years.

There are also some important tips for Trustees to bear in mind when signing contracts procuring the services of Security Companies :

- Enter into the Contract for the shortest possible initial period;
- Do not allow for an automatic renewal period, but for renewal periods to take effect on written instructions by the Trustees and Managing Agent;
- Provide for a short renewal period as opposed to a long period;

Provide clearly for the obligations of the Security Provider and in the event of any of its obligations not being met, that the Trustees may, if the breach is not rectified within 7 days of written notice given to the Security Company, cancel the Agreement.



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## Control Over Petty Cash: Some Reflections for Trustees and Management of Sectional Title Property



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The saying "cash is king" is a great truth in business. The opposite is also true - cash can be an easy starting point for dishonest employees to get their fingers in the so-called till. In practice it is often the case that people, who started stealing relatively small amounts, rapidly expand their dishonest deeds to include substantial theft and fraud, for example from bank accounts.

For trustees and appointed managing agents, there is an obligation to guard over the finances of a sectional title scheme by, among others, ensuring that proper internal controls are in place. Due to the fact that the primary purpose of petty cash is for convenient access to cash for the payment of minor expenses, there is sometimes the misconception that the petty cash is not a key link in accounting. Some of the most important factors for the proper maintenance of petty cash records are as follows:

- Petty cash is often the only place in an entity where payments are made in **cash**. Due to

various reasons, cash can be a carrot dangling in front of the nose of a trustee or manager who wants to act fraudulently.

- The custody of **cash** remains an obvious risk, especially when there are unnecessarily large amounts of money stored in a petty cash container. This may even form the spark for an armed robbery.
- The so-called "**advance/imprest system**" is probably the best way to exercise internal control over cash. In short, it means that the trustees need to use their discretion to determine the amount of cash required (the "**float**") for a certain period (e.g. R500 a month). The R500 is usually cash drawn from the bank account and put in safekeeping (typically in a small, lockable safe or cash box) by the relevant **custodian**. Suppose that the total expenditure for a month amounted to R430, an amount of R430 should then be drawn from the bank account at the end of the month or at the beginning of next month. The money is then added back to the petty cash so that the **float** will again equal the original R500.
- **Evidence or source documents** for petty cash disbursements are often inadequate, and it is often very easy to falsify such evidence. As far as possible, original proofs of purchase should be available, not just hand written notes. Take for example the purchase of a bag of fertilizer for a complex. Sometimes, when requesting a proof of payment, a small document is written by hand by the custodian from a "cash sales book" indicating "1 bag of fertilizer @ R210". It does not take much creativity to change the amount of R210 to R270 and thus steal R60. All source

documents should be kept in the petty cash box.

- A good control to put in place is ad hoc **counting** of petty cash by a person other than the petty cash custodian. Should a trustee/manager want to count the petty cash, the custodian should not know in advance that the count will take place. Should this be the case, any deficits that arose due to theft could be temporarily supplemented by the custodian, so that the petty cash seems to be in balance. Therefore, independent petty cash counts should always take place on a **surprise basis**.
- The trustee/manager **performing the count** should know beforehand the amount of the total advance or float (e.g. R500). All proofs of payment should then be inspected (e.g. R300 in total). In this case, the cash on hand should be equal to R200 (R500 float minus R300 expenses). Always count the petty cash in the **presence** of the custodian, and make a brief **summary** of the count in writing. The summary should show the total advance (R500) and also the total expense receipts (R300). The difference should be equal to the cash as counted (R200). The custodian must **sign** the summary, firstly to indicate that he/she agrees with the information contained in the summary, and secondly to acknowledge that he/she again took custody of the cash on hand (R200) after the count. The reason for this is to prevent a situation where the custodian at a later stage denies either agreeing with the information on the summary, or that the trustee/manager handed all the cash (R200) back after the count.

## NAMA EVENTS

### Gauteng North Region

22/04/2016 – Charity Golf Day, Silver Lakes Golf Estate, Pretoria  
Contact: [namanorth@nama.org.za](mailto:namanorth@nama.org.za) for more information

### Kwa-Zulu Natal Region

09/04/2016 – Sectional Title Training Seminar presented by Barbara Shingler  
13/04/2016 – KZN Region Cocktail Evening, The Palace Hotel, Marine Parade - Sponsored by Prominent Paints  
Contact: [namakzn@nama.org.za](mailto:namakzn@nama.org.za) for more information

### Eastern Cape and Border Regions

13/04/2016 – Regional Meeting, Offices of FSPA, 10<sup>th</sup> Floor, Pamela Arcade, 2<sup>nd</sup> Avenue, Newton Park, Port Elizabeth  
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### Gauteng East Region

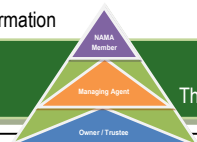
15/04/2016 – Breakfast Seminar, Glendower Golf Club, Edenvale  
11/06/2016 – NAMA Sectional Title Trustee Training Seminar  
Contact: [namawest@nama.org.za](mailto:namawest@nama.org.za) for more information

### Western Cape Region

23/04/2016 – Flagship Seminar, Belmont Square, Rondebosch  
Contact: [namawc@nama.org.za](mailto:namawc@nama.org.za) for more information

### Gauteng West Region

20/05/2016 – 120 Breakfast Seminar, Venue & Topic TBA  
28/05/2016 – NAMA Sectional Title Trustee Training Seminar, Venue TBA  
Contact: [namawest@nama.org.za](mailto:namawest@nama.org.za) for more information



## MANAGING AGENT INFORMATION

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