



MAKANA MUNICIPALITY

CASH MANAGEMENT AND INVESTMENT POLICY

POLICY NUMBER:	(F) 6
POLICY NAME	Cash Management and Investment Policy
POLICY STATUS	Draft
VERSION	1
DATE OF APPROVAL	
DATE OF FIRST IMPLEMENTATION	
DATE OF LAST AMENDMEND	New Policy
DATE OF NEXT REVIEW	
PURPOSE	See Policy
AIMS AND OBJECTIVES	<ul style="list-style-type: none"> • Provide the general framework within which the municipality should invest and manage funds; • Ensure compliance with all legislation governing the investment of funds;

POLICY CUSTODIAN	Directorate: Budget And Treasury
RELATED POLICIES AND LEGISLATION	<ul style="list-style-type: none"> • Municipal Finance Management Act No. 56 of 2003 • Regulations in Government Gazette 27431 of April 2005.
APPROVING AUTHORITY	Council
APPLICABILITY	All functionaries of the municipality involved in cash management and investments must comply.
POLICY BENCHMARK AND REFERENCES	
STAKEHOLDERS CONSULTED	

CASH MANAGEMENT AND INVESTMENT POLICY

The policy was adopted by Council on..... and will be effective from

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1. INTRODUCTION

- 1.1 In terms of the Local Government: Municipal Finance Management Act, 2003 (Act No.56 of 2003) (The Act)", the municipality must establish an appropriate and effective cash management and investment policy with the implementation date being 1 July 2004.
- 1.2 Further, the Minister of Finance urged all Municipalities, in Government Gazette 27431 of 1 April 2005, to prepare for implementing proposed new regulations immediately.
- 1.3 Due to the delay in the promulgation of the regulations and the fact that the municipality must have an investment policy consistent with the abovementioned Act as well as the permission to implement the draft regulations, this policy, which complies with the requirements of the Act as well as the draft regulations, was prepared.
- 1.4 The Makana Local Municipal Council considered and approved the underlying policy as its "Cash Management and Investment Policy" to which all functionaries of the municipality involved in cash management and investments must comply.

2. SCOPE OF THE POLICY

In order to ensure sound and sustainable management of the cash resources of the municipality this policy addresses all principles and processes involved in cash management and investments and includes:

- 2.1 The objectives of the policy
- 2.2 Due care;
- 2.3 Delegation of authority;
- 2.4 Management and internal control procedures;
- 2.5 Cash Management;
- 2.6 Investments; and
- 2.7 Review of the policy.

This policy governs the investment of money not immediately required for the defrayment of expenditure and applies to all new and existing investments.

3. OBJECTIVES OF THE POLICY

The objectives of the policy are to -

- 3.1 Provide the general framework within which the municipality should invest and manage funds;
- 3.2 Ensure compliance with all legislation governing the investment of funds;
- 3.3 Maintain adequate liquidity to meet cash flow needs;
- 3.4 Ensure diversification of permitted investments;
- 3.5 Ensure optimal performance with the least possible risk, in managing and investing the cash resources of the municipality;
- 3.6 Ensure transparency, accountability and appropriate lines of responsibility in the process; [ad](#)
- 3.7 Ensure timeous reporting of the investment portfolio as required by the Municipal Finance Management Act of 2003.
- 3.8 To manage cash flows in an efficient and prudent manner. institutes and maximize returns on investments without incurring undue risks.
- 3.9 To invest only in approved financial
- 3.10 To ensure all relevant information is disclosed to Council and ensure that all investment decisions are made by the appropriate delegated authority.

4. DUE CARE

- 4.1 Each functionary in the cash management and investment process must do so with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of his or her own affairs and with his or her primary regard being to the probable safety of his or her own capital, in the second instance to his or her liquidity needs and lastly to the probable income derived.
- 4.2 Officials entrusted with investment and management of funds, have a responsibility and are accountable to exercise due care when investing funds. -
- 4.3 Speculation may not be undertaken in any of the processes.
- 4.4 No fee, commission or other reward may be paid to a councillor or official of the municipality, or to a spouse or close family member of such councillor or official, in respect of any investment made by the municipality. This shall be confirmed annually by all investees to the Auditor-General.

5. DELEGATION OF AUTHORITY

- 5.1 The Management of all the cash resources of the municipality is the responsibility of the Municipal Manager, as Accounting Officer, who must for the proper application of this policy, develop an operational efficiency and provide adequate checks and balances in the management of the cash resources. In terms of section 59 of the Local Government: Municipal Systems Act (no.32 of 2000), Council has delegated to the Chief Financial Officer (CFO) the power, function and duty to make investments on behalf of the municipality within a policy framework determined by the Minister of Finance, and the investment of surplus funds in terms of Council policy. This power may not be sub-delegated.
- 5.2. The Chief Financial Officer, as designated in writing by the Accounting Officer, must advise the Accounting Officer on the exercise of the powers and duties with regards to this policy and must assist the Accounting Officer in the administration of the cash resources, the bank accounts and the investment accounts. The Chief Financial Officer may not sub-delegate the duty to assist the Accounting Officer in the administration of the municipality's bank and investment accounts.
- 5.3. The delegation to withdraw money from the municipality's bank or investments accounts may only be given to the Chief Financial Officer or any other senior financial officer as determined in writing by the Accounting Officer and of which a copy, signed by the Accounting Officer, must be kept with the official set of delegations of the municipality.
- 5.4 The Accounting Officer may not delegate any power of duty in the administration of the municipality's cash resources to a political to a political structure or councillor and no councillor is allowed to interfere or attempts to interfere in the management of the municipality's cash resources.
- 5.5 Any delegation by the Accounting Officer in terms of this policy:
- 5.5.1 Must be in writing;
 - 5.5.2 Is subject to any limitations and conditions as the Accounting Officer may impose;
 - 5.5.3 May either be to a specific individual or to the holder of a specific post in the municipality;
 - 5.5.4 Does not divest the Accounting Officer of the responsibility concerning the exercise if the delegated power or the performance of the delegated duty.
- 5.6 The Accounting Officer may confirm, vary or revoke any decisions taken in consequence of a delegation or sub – delegation in terms of this policy, but no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision.
- 5.7 For the application of this policy any referral to “Accounting Officer” also means “Any other

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person acting under a delegated power or performs a function delegated by the Accounting Officer” in terms of paragraph 5 of this document.

6. MANAGEMENT AND INTERNAL CONTROL PROCEDURES

6.1 The Accounting Officer, assisted by the Chief Financial Officer, must take all reasonable steps to ensure:

6.1.1 That the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework;

6.1.2 That the municipality has and maintains a management, accounting and information system that accounts for all bank and investment accounts, receipting, withdrawals, cash management and investment transactions; A proper record shall be maintained of all investments made indicating, at a minimum, the investee, capital amount, interest rate and maturity date. Interest must be correctly calculated and received timeously together with any capital which matures.

6.1.3 That, in the case of investments, such investments are valued in accordance with GRAP guidelines and standards; and Investment papers and certificates must be kept in a locked, fireproof safe.

6.1.4 That the municipality has and maintains a system of internal control over its bank and investment accounts, receipting, withdrawals, cash management and investment transactions.

6.2 The internal control procedures involve the Internal Audit Activity and the Auditor General reviewing and testing the systems of the Investment Department on a regular basis. In order to prevent losses arising from fraud, misrepresentations, error, conflict of interest or imprudent action, a system of internal controls governs the administration and management of the investment and cash management portfolios.

6.3 Controls deemed most important include –

6.3.1 Control of Collusion, Separation of Duties;

6.3.2 Custodial Safekeeping

6.3.3 Clear Delegation of Duties;

6.3.4 Written Confirmation of Telephonic Transactions;

6.3.5 Minimising the Number of Authorised Investment Officials;

6.3.6 Checking and Verification by Senior Officials of All Investment

6.3.7 Documentation of Transactions and Strategies;

6.3.8 Code of Ethics and Standards

6.3.9 Strict Adherence to Investment Framework Policy and Guidelines;

6.3.10 Limits Placed On Investments by the Various Officials;

6.3.11 Procedure Manuals;

6.3.12 Electronic Funds Transfer limits and detailed procedure manual for the system; and

6.3.13 regular reporting to Committee of all investments.

7. CASH MANAGEMENT

7.1.1 The Accounting Officer or delegated nominee is responsible for the administration of the municipality's bank accounts including the opening of the bank accounts, the designation of the primary bank account and all banking and withdrawal procedures. The bank account may only be managed in accordance with auditing requirements as well as any legal requirements including as prescribed in the Local Government Municipal Finance Management Act of 2003 and in particular Chapter 3 of the Act as well as section 64 of the Act.

7.1.2 The Accounting Officer may delegate the duties attached to the administration of the bank accounts as per paragraph 5 of this policy.

7.1.3 The Accounting Officer, in conjunction with the Chief Financial Officer (CFO), is responsible

For the effective and efficient management of the council funding, namely-

7.1.3.1 The municipality must open at least one bank account in the name of the municipality;

7.1.3.2 The municipality may not open a bank account –

7.1.3.2.1 abroad;

7.1.3.2.2 with an institution not registered as a bank in terms of the Banks Act, 1990 (Act 94 of 1990); or

7.1.3.2.3 Otherwise in the name of the municipality.

7.1.3.3 Ensure that its funding always has sufficient money for appropriated expenditure and direct charges to meet the progressive cash flow requirements.

7.1.4 Bank account requirements, guidelines and regulations in terms of sections 7, 8, 9, 10 and 11 of the MFMA are adhered to.

7.1.5 Ensure that the Municipality accounts daily for the cash movements of all bank accounts in the financial records.

7.1.6 The Accounting Officer, in conjunction with the CFO are responsible for establishing systems, procedures, processes and training and awareness programmes to ensure

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efficient and effective banking and cash management for the treasury and budget offices.

7.1.7 Sound Cash Management would include:-

- 7.1.7.1 collecting revenue when it is due and banking it promptly;
 - 7.1.7.2 making payments, including transfers, no earlier than necessary, with due regard for efficient, effective and economical programme delivery and the municipality's normal terms for account payments;
 - 7.1.7.3 avoiding prepayments for goods or services (i.e. payments in advance of the receipt of the goods or services), unless required by the contractual arrangements with the supplier;
 - 7.1.7.4 accepting discounts to effect early payment only when the payment has been included in the monthly cash flow estimates and is in accordance with the municipality's normal terms for account payments;
 - 7.1.7.5 pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the municipality are collected and banked promptly;
 - 7.1.7.6 accurately forecasting the municipality's cash flow requirements so that the National Treasury can optimise its central cash management responsibilities on behalf of the government; and effective cash flow forecasting is essential for determining the timing and size of cash surpluses and deficits affecting investment decisions. Forecasts of cash receipts and payments shall be prepared on a regular basis to facilitate investment decisions.
 - 7.1.7.7 Timing the inflow and outflow of cash to ensure that significant cash outflows only occur when there is sufficient cash in the Municipality's bank account
 - 7.1.7.8 recognising the time value of money, i.e. economically, efficiently and effectively managing cash;
 - 7.1.7.9 taking any other action that avoids 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 under-utilised assets in terms of the asset management policy;
 - 7.1.7.10 performing bank reconciliation on a daily basis to detect any unauthorised entries;
 - 7.1.7.11 ensuring that dishonoured cheques are followed up immediately; and
 - 7.1.7.12 separation of duties to minimise the incidence of fraud.
- 7.1.8 Private money, private bank accounts and cashing private Cheques is prohibited.
- 7.1.9 Delegated authority by the Directors of departments must assign authority in writing to officials to approve warrant vouchers, cheques or electronic payments.

- 7.1.10 Only authorised officials may sign cheques and must initial the counterfoils.
- 7.1.11 All cheques must be crossed "NOT TRANSFERABLE" between parallel lines. The cancellation of crossings is not permitted except for wages.
- 7.1.12 When an issued cheque is lost, stolen or damaged, an instruction to stop payment must immediately be issued to the responsible bank. Once confirmation has been received that the cheque was stopped, the transaction must be reversed and a new cheque issued and accounted for.
- 7.1.13 Deposit all money received into the bank account(s) promptly and in accordance with the MFMA, Chapter 3.
- 7.1.14 Withdrawals from bank account(s) should be completed in terms of the MFMA, Section 11.
- 7.1.15 Designate and advise National Treasury (NT) in writing of details of the primary bank account, or any change in the primary bank account.
- 7.1.16 In cases where a municipality has more than one bank account, ensure that only the municipal manager or Chief Financial Officer (CFO) is delegated authority to withdraw funds from the primary bank account.
- 7.1.17 Check to ensure that all relief, charitable and trust accounts are set up in the name of the municipality and are administered by the Accounting Officer.
- 7.1.18 Deposit all money received for relief, charitable and trust accounts into the correct account, and make withdrawals from those accounts only for the purposes for which the fund was established and where appropriately authorised by the municipal manager in terms of the MFMA.
- 7.1.19 Notify National Treasury (NT) of occasions when the bank account(s) of the municipality show an (consolidated) overdraft position for a period exceeding a prescribed period, and provide details of the amount, the reasons for the overdraft and the steps taken to correct the matter.
- 7.1.20 Table in council a consolidated report of withdrawals each quarter, and submit a copy of the consolidated report to the Provincial Treasury and Office of the Auditor General.
- 7.1.21 Submit to Provincial Treasury and the Office of the Auditor General written details of new bank accounts when opened, and all bank accounts each year.

7.2 RECEIPTING MANAGEMENT

- 7.2.1 The Accounting Officer is responsible for the administration of all receipting procedures and must take all reasonable steps to ensure receipting is being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Section 64 of the Act.
- 7.2.2 The Accounting Officer may delegate the duties attached to receipting as per paragraph 5 of this policy.
- 7.2.3 The receipt of all monies collected by the council shall be acknowledged forthwith by the issue of a numbered official receipt, as provided in this section.
- 7.2.4 Payment of accounts other than petty cash disbursements shall be made by cheque from the municipality's primary bank account. All requests for payments must be submitted to the Financial Services/Treasury Department. A head of a department or an officer of that department authorised to do so, shall certify in respect of each account to be paid for goods supplied or service rendered, that it is in order, that the goods or services have been supplied or rendered, that the price is correct and that it is within a vote authorised by Council.

7.3 EXPENDITURE MANAGEMENT

- 7.3.1 The Accounting Officer is responsible for the administration of all expenditure procedures and must take all reasonable steps to ensure expenditure is being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Section 65 of the Act, giving due consideration to Section 11 of the Act.
- 7.3.2 The Accounting Officer may delegate the duties attached to expenditure as per paragraph 5 of this policy.
- 7.3.3 Another aspect of effective cash management is adequate control over the timing and payment of creditors accounts. To reduce bank costs with regard to cheque payments it is essential to limit the payment of creditors to one payment per creditor per month, if possible and to make use of electronic transfer subject to strict control measures.
- 7.3.4 The chief financial officer shall ensure that all tenders and quotations invited by and contracts entered into by the municipality stipulate payment terms favourable to the municipality, that is, payment is to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the municipality. This rule shall be departed from only where there are financial incentives for the municipality to effect earlier payment, and any such departure shall be approved by

the chief financial officer before any payment is made, but shall in any event be subject to the provisions of Section 65 of the MFMA.

7.4 WITHDRAWALS

7.4.1 The Accounting Officer is responsible for the administration of all withdrawals procedures and must take all reasonable steps to ensure withdrawals are being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Section 11 of the Act.

7.4.2 The Accounting Officer may delegate the duties attached to withdrawals as per paragraph 5 of this policy.

7.4.3 Only the municipal manager or the chief financial officer of the municipality (presumably where this power has been appropriately delegated), or any other senior financial official of the municipality acting on the written authority of the Municipal Manager, may withdraw money or authorise the withdrawal of money from any of the municipality's bank accounts.

7.5 DEBT MANAGEMENT

7.5.1 In order to ensure adequate cash-flow the municipality may incur short- or long-term debt, provided that the Council approves all debt agreements, the Mayor must sign the resolutions approving the debt agreements and the Accounting Officer must sign the debt agreements.

7.5.2 The Municipality is, in terms of Section 46(5) of the Local Government Municipal Finance Management Act of 2003, allowed refinancing its **long**-term debt for the purpose of saving on the cost of debt. The Accounting Officer must, for this purpose, at least annually and as part of the budget process evaluate and report to the Council on the cost of existing debt and whether re- financing such debt will be beneficial to the municipality. As part of the evaluation the Accounting

Officer must determine the types of repayments and whether bullet payments at the end of the debt period and the reasonably determined nett cost thereof will not be more beneficial to the Council if the repayments are invested in sinking funds and the reasonable projected yield on the investments are being brought into account.

7.5.3 The Accounting Officer is responsible for the administration of all debt procedures and must take all reasonable steps to ensure debt is being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government

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Municipal Finance Management Act of 2003 and in particular Chapter 6 of the Act.

7.5.4 The Accounting Officer may delegate the duties attached to debt management as per paragraph 5 of this policy.

7.5.5 The municipality must pay off short-term debt within the financial year in which it was incurred, and may not renew or refinance short-term debt, whether its own debt or that of any municipal entity, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year; and it may incur long-term debt only in accordance with and subject to any applicable provisions of the present Act, and only for the purpose of capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government.

7.5.6 The municipality may incur debt only if:-

- ❑ The debt is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency; and
- ❑ Section 48 (3) of the MFMA, regarding assets secured required for providing basic municipal services, has been complied with, if security is to be provided by the municipality.

7.5.7 The municipality may incur long-term debt only if:-

- ❑ A resolution of the municipal council, signed by the mayor, has approved the debt agreement; and
- ❑ The accounting officer has signed the agreement or other document which creates or acknowledges the debt.

7.6 CASH –FLOW BUDGET

7.6.1 In order to ensure that the municipality has sufficient cash available to comply with the municipality's commitments to its lenders, creditors, statutory payments and any other commitments, it is necessary to annually compile and submit to Council, as part of the budget documentation, a cash-flow projection for the budget year by revenue-source, broken down per month.

7.7 WORKING CAPITAL MANAGEMENT

7.7.1 The Accounting Officer must take all reasonable steps to ensure that the municipality obtains

maximum performance on its assets and for this purpose the working capital of the municipality must as far as possible be managed to the maximum benefit of the municipality.

7.7.2 The Accounting Officer must ensure that the Municipality maintains an acceptable level of working capital. Working capital in this Municipality is defined as all current assets such as cash, short term investments, debtors (accounts receivable), inventory and other forms of short-term assets that are expected to be converted into cash within the next 12 months. The net working capital represents the difference between current assets and current liabilities. An acceptable level for working capital level for this Municipality is 2:1 whilst 2 represents current assets and 1 represents current liabilities.

7.7.3 The Accounting Officer must, as part of the monthly reporting to the Mayor within 10 working days of the end of each month, report on:

7.7.3.1 The combined nett balance of the bank and investment accounts of the municipality excluding any balances of unutilised conditional grants, trust monies kept in accordance with trust deeds, sinking fund investments made in accordance with any loan- or other agreements with investors/lenders, other conditional funds for which monies were received in accordance with Section 12 of the Act, debt guarantee reserve funds and other cash- backed funds for which spending authority must be obtained from other persons or spheres of government.

7.7.3.1.2 Whether all commitments and accounts had or can be paid on time from the nett balance above and nett realisable accounts receivable.

7.7.3.1.3 Whether there is a net outflow of cash not in accordance with the cash-flow budget.

7.7.3.1.4 Whether all of the above might cause a financial problem on which the Mayor must act in accordance with the provisions of the Act.

7.7.4 The Mayor must, within 30 days of the end of each quarter, report to the Municipal Council on the above and in case of identifying a financial problem, promptly inform the Council and Act in accordance with the provisions of the Act.

7.8 CASH PROCEDURES

7.8.1 Payments received at the Municipal Cashiers, Traffic and Amenities / Resorts and Municipal Court.

7.8.1.1 Internal Controls:

7.8.1.1.1 Segregation of duties (Cashier and Banker);

7.8.1.1.2 Rotation and switching of Cashiers, must be preceded by a cash up

procedure (including the float on hand)

7.8.1.1.3 Cash float values should be recorded;

7.8.1.1.4 Cash floats should be periodically reviewed and should be sample checked on a daily basis;

7.8.1.1.5 Shortages and surpluses in cash should be recorded.

7.8.1.2 Issuing of Receipts:

7.8.1.2.1 All payments (including payments received in the mail) should be accompanied by a computer generated receipt.

7.8.1.2.2 Receipts numbers should be sequential and missing sequences should be accounted for.

7.8.1.2.3 Original receipts must be given to the customer.

7.8.1.2.4 A duplicate computer generated receipt should be printed for the audit and paper trail Purposes.

7.8.1.2.5 The following should appear on a computer generated receipt –

7.8.1.2.5.1 Date on which the receipt was issued;

7.8.1.2.5.2 Amount for which the receipt was issued;

7.8.1.2.5.3 Cashier responsible for issuing the receipt;

7.8.1.2.5.4 Vote or Account to which the payment is to be credited;

7.8.1.2.5.5 Type of payment transaction (cash, cheque, debit order, etc.); and

7.8.1.2.5.6 Computer generated receipt number.

7.8.1.3 Cancellation of Receipts:

7.8.1.3.1 Receipts that are cancelled are to be clearly marked with cancelled written across the face of the receipt.

7.8.1.3.2 Cancelled receipts are to include the original receipt (attached transaction report).

7.8.1.3.3 Reasons for the cancellation are to be marked on the cancellation summary and should include the signatures of the cashier and supervisor.

7.8.1.3.4 The transaction trail for the Cashier for the day should be reconciled to the number of cancelled receipts on hand.

7.8.1.4 Cash Balancing:

7.8.1.4.1 The deposit bags must be collected by no later than 10h00 on every business day. The Senior Cashier must report any problems experienced in this regard to the Accountant immediately.

- 7.8.1.4.2 Cash on hand should be counted and the cash float should be removed before balancing to the computer records for the receipts of the day, for a given cashier.
- 7.8.1.4.3 Cash received for the day is keyed into the computer system for each note and coin denomination and for cheques, Debit or Credit Cards and postal orders.
- 7.8.1.4.4 Balancing of the cash on hand to the computer records must be performed by means of reconciliation before closing of offices everyday.
- 7.8.1.4.5 The Cashier is responsible for ensuring that all records balance.
- 7.8.1.4.6 Shortages must be paid in within 24 hours by the Cashier and surpluses are immediately receipted into the cashier surplus vote.
- 7.8.1.4.7 Senior Cashier amends the cash received on the computer printout and the correct totals Are banked.
- 7.8.1.4.8 Cashiers bank deposit is checked by the Senior Cashier and placed in the deposit bag; The deposit bag is sealed under supervision of the Senior Cashier, before close of day.
- 7.8.1.4.9 Bank deposits are locked in the safe of the senior Cashier for collection by the security firm, the following day.
- 7.8.1.4.10 The Cashiers float is locked away in the other safe.
- 7.8.1.4.11 Daily day end cash-up procedures must be completed before the Cashier and Senior Cashier may leave the municipal premises. The number on the deposit bag is recorded in the cash register.
- 7.8.1.4.12 The Security firm responsible for lifting and banking the municipal takings records the bag number in their records and the Senior Cashier and the Security firm representative sign the documentation as receipt of the takings from the Municipality to the Security firm for banking purposes.
- 7.8.1.4.13 all the documentation of a cashier for each day, including daily summary sheet, cancelled receipts, signed cancellation form, Security Company receipt, stamped bank deposit slip, etc. must be kept together in a file for audit purposes. This file may only be taken out of the Senior Cashiers office after signing a register with the necessary motivation.
- 7.8.1.4.14 All Cashiers takings must be entered into a cash register daily and the Senior Cashier and Accountant must sign it. This register or copies of it must be used for reconciliation done by other departments.
- 7.8.1.4.15 as the cashier is responsible for the cash he/she must at all times ensure that the cash is his/her possession is safely locked away.
- 7.8.1.4.16 No person other than the cashier, Snr cashier or accountant is allowed in the Cashier cubicle.

7.8.1.5 Deposit Books for Municipal Takings:

- 7.8.1.5.1 The deposit book serves as an agreement between the municipality and the bank of the funds forwarded to the bank for deposit purposes, into the appropriately defined municipal banking account.
- 7.8.1.5.2 Completion of deposit slips (in ink), by the Cashier, must be appropriate, comprehensive and accurate.
- 7.8.1.5.3 The deposit book sheets are in triplicate –
 - 7.8.1.5.3.1 Original for the bank;
 - 7.8.1.5.3.2 Copy 1 for the Cashier; and
 - 7.8.1.5.3.3 Copy 2 fast copy (book).
- 7.8.1.5.4 The original and copy of the deposit books are forwarded to the bank for stamping purposes.
- 7.8.1.5.5 On return from the bank the stamped deposit slips are reviewed by the Senior Cashier to follow-up on any discrepancies.
- 7.8.1.5.6 The stamped deposit slips are attached to each of the cashier's daily summary sheets.

7.8.2 Other Payment Methods

These relate to other payment mediums such as internet banking, direct deposits, ACB's, Pay@ Transactions, Pick ,n Pay, Easi Pay, etc.

7.8.2.1 Direct Deposits:

- 7.8.2.1.1 These transactions are handled by the Senior Clerk: Finance.
- 7.8.2.1.2 A summary is prepared and the sundry transactions are captured into the receipting system by a Cashier.
- 7.8.2.1.3 Balancing between the Senior Clerk: Finance summary and the cashier transactions summary is completed.

7.8.2.2 Third Party (Easi Pay / Pick ,n Pay, Pay City and Pay@ Transactions):

- 7.8.2.2.1 All payments are handled by the Accountant by means of an internet download and transfer to the Abakus System.

7.8.2.2.2 The Senior Clerk within the Financial Information Section transfers the payments received from the third parties to the Debtors System.

7.8.2.2.3 Balancing of the third party transaction totals to the Bank totals received by the Accountant is completed by the Senior Clerk who completes the cashbook reconciliation.

7.8.2.2.4 Variances are followed up by the Senior Clerk – Financial Information Section.

7.8.2.2.5 The serial numbers of receipt transfers from the institutions must be checked on a daily basis by accountant to ensure that all receipts/deposits are transferred to the Municipality on a daily basis. These serial numbers must be recorded by the accountant and any discrepancies must be followed up on a daily basis by the accountant.

7.8.2.3 Cheque Deposit Box:

7.8.2.3.1 The Senior Clerk empties the cheque deposit box daily.

7.8.2.3.2 A register of all cheques received are written up by the Senior Clerk.

7.8.2.3.3 The register includes the following details –

7.8.2.3.3.1 Client name

7.8.2.3.3.2 Cheque number

7.8.2.3.3.3 Amount

7.8.2.3.3.4 Account holders name

7.8.2.3.3.5 Date of cheque

7.8.2.3.3.6 Date cheque was received

7.8.2.3.3.7 Receipt number (completed by the cashier upon receiving the funding)

7.8.2.3.4 Periodically and on a sample basis the cheque register is reviewed by the Accountant of the section to ensure accuracy and allocation was correct and to verify that the register is appropriately updated with the receipt number allocated to the transaction.

7.8.2.4 Mailed Cheques:

7.8.2.4.1 Similar to the process above the Records / archiving section keep a register of all cheques received.

7.8.2.4.2 Mail is opened by two persons and the register of cheques is written up.

7.8.2.4.3 The Records / Archiving Section deliver the register and cheques to the Income Section for receipting and capturing.

7.8.2.4.4 The Cashier upon receipting records the receipt number in the register.

7.8.2.4.5 The Banker / Senior Cashier and Accountant of the section review the register to ensure accuracy and allocation was correct and to verify that the register is appropriately updated with the receipt number allocated for the transaction.

7.8.2.5 Legal tender:

According to the South African Reserve Bank Act Number 90 of 1989 a Legal Tender refers to banknotes or coin that may be legally offered in payment of an obligation and that a creditor is obliged to accept. Any amount in banknotes may be offered for payment. In the case of coin, the acceptable amount per individual transactions is equal to the total amount, not exceeding the following:

- fifty rand, where coin of the denomination of one rand or higher are so tendered;
- five rand, where coin of denominations of ten cents up to and including fifty cents are so tendered;
- fifty cents, where coin of the denomination of five cents or less are so tendered; and
- the value of each coin so tendered shall be equal to the amount specified on that coin.

8. INVESTMENTS

8.1 INVESTMENT MANAGEMENT

8.1.1 The Accounting Officer is responsible for the administration of all investment procedures and must take all reasonable steps to ensure investments are being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Section 13 of the Act.

8.1.2 The Accounting Officer may delegate the duties attached to investments as per paragraph

5 of this policy.

8.1.3 In order to ensure that the Accounting Officer or any person delegated in terms of paragraph 5 complies with this policy in terms of investments and to capacitate the municipality further, the Accounting Officer may contract an Investment Manager who is a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act (Act No. 55 of 1989) and Stock Exchanges Control Act (Act No. 1 of 1985). The Investment Manager must advise the Accounting Officer or delegated officials on investments and may manage investments on the municipality's behalf, subject to any conditions and controls the Accounting Officer may determine, examples this investment and cash management policy.

8.2 INVESTMENT ETHICS

8.2.1 All functionaries in the investment management process must act with fidelity, honesty, integrity and in the best interest of the municipality and must seek, within the spheres of influence of the functionaries, to prevent any prejudice to the investments of the municipality.

8.2.2 No functionaries in the investment management process may use their position or privileges of, or confidential information obtained as, functionary in the process for personal gain or to improperly benefit another person. Interest rates quoted by one institution should never be disclosed to another. Although alternative rates on offer need to be disclosed when negotiating a rate on an investment, the disclosure of a specific rate from a specific named investee to another investee shall be strictly prohibited.

8.2.3 No person contacted by the Municipality for the purpose of investments or no person submitting quotes, bids or any other means of competitive submissions may, either directly or through a representative or intermediary promise, offer or grant any reward, gift, sponsorships, loan, bursary, favour or hospitality as a bribe to –

8.2.3.1 any official, spouse or close family member of such official or spouse; and

8.2.3.2 any councillor, spouse or close family member of such councillor or spouse.

This paragraph should be read in conjunction with the code of conduct for Councillors & Staff as contained in the Systems Act, Act no 32 of 2000 as well as section 62 (1) of the Supply Chain Management Policy. 8.2.4 The Accounting Officer must promptly report to the Mayor and National Treasury any alleged contravention of the above and may make recommendations as to whether the alleged offending party should be listed on the National Treasury's database of persons prohibited from doing business with the public sector. Any such report by the Accounting Officer must give full details of the alleged breach and a written response from the alleged offending party, as well as proof of that the alleged offending party received the allegations in writing and were given at least 7(seven) working days to respond, in writing, to the allegations.

8.2.5 Any sponsorship promised, offered or granted to the municipality must promptly be disclosed to the National Treasury.

8.2.6 Investments by a municipality or municipal entity, or by an investment manager on behalf of a municipality –

8.2.6.1 Must be made with such judgment and care, under the prevailing

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circumstances, as a person of prudence, discretion and intelligence would
exercise in the management of that person's own affairs;

8.2.6.2 May not be made for speculation but for investment; and

8.2.6.3 Must in the first instance be made with primary regard being to the probable safety of the investment, the second instance to the liquidity needs of the municipality or entity and lastly to the probable income derived from the investment.

8.2.7 The Municipality's current cash position or projected future cash flows shall not, as a general rule, be discussed with or disclosed to investees.

8.2.8 The chief financial officer shall be responsible for investing the surplus revenues of the municipality, and shall manage such investments in consultation with the executive mayor and in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance.

8.2.9 In making such investments the chief financial officer, shall at all times have only the best considerations of the municipality in mind, and, except for the outcome of the consultation process with the executive mayor, shall not accede to any influence by or interference from councillors, investment agents or institutions or any other outside parties.

8.3 INVESTMENT OBJECTIVES

8.3.1 Objective 1 – Security

The first and foremost objective for investments is the preservation and safety of the principal amount invested. It is a requirement that investments may only be made with institutions with a national credit – worthy Fitch rating of F1 and higher for short term investments (0 – 12 months) and Fitch AA and higher for long term investments (more than 12 months). Any investments made must be liquidated if an institution's credit-worthy rating falls below the level of F1 for short term and AA for long term.

It should be accepted as general principle that the larger the return, the greater the risk will be. Investments may not be undertaken with a view to speculation.

8.3.2 Objective 2 - Liquidity

The cash – flow budget must be used as an instrument in determining liquidity needs. Other factors such as the payment runs for creditors, dates for salary and statutory payments and dates for debt repayments must also be brought into account to ensure cash requirements, and resultant investment periods, are being calculated to such an extent that maximum yield on surplus cash can be obtained. The Investment portfolio must remain sufficiently liquid to enable the Municipality to meet all operating requirements that may be reasonably anticipated.

8.3.3 Objective 3 - Yield

It is necessary to ensure optimal yield on the municipality's investments, but a higher yield should never increase the risk of preservation and safety of the principal amount invested or not meeting cash – flow requirements. Where an institution has a sudden increase above the average market increase in investment returns, the Accounting Officer must determine whether the institution is in liquidity or financial problems, and in such an instance liquidate the investments with such an institution as soon as possible.

Although the objective of the chief financial officer in making investments on behalf of the municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved in regard to both the financial institution and the investment instrument concerned. No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions.

8.3.4 Employees and Councillors Benefiting from Investments

No employee or Councillor of the Municipality or their family may under any circumstances whatsoever on his or her own behalf or on behalf of any other person whether directly or indirectly, stipulate, claim or receive any consideration of whatever nature in connection with an investment made.

8.4 TYPES OF INVESTMENT ACCOUNTS

8.4.1 The following cash – backed investment accounts should be established:

8.4.1.1 General surplus cash

8.4.1.2 Capital replacement reserve fund

8.4.1.3 Accumulated leave fund

8.4.1.4 Trust funds where a trust- deed exist-

8.4.1.5 " Allocation "funds as described in Section 1 of the Local Government: Municipal Finance Management Act, 2003, but excludes the equitable share

8.4.1.6 Sinking funds, if applicable;

8.4.1.7 Debt guarantee reserve fund, if applicable;

8.4.1.8 Post retirement benefits funds – current portion;

8.4.1.9 Self-insurance reserve, if applicable

8.4.1.10 Housing development funds.

8.4.2 Where a Trust Deed prescribes how the trust money is to be invested, the prescriptions in the Trust Deed will prevail over this policy.

8.4.3 It is a general principle, the higher the investment the better the yield and for this purpose the Accounting Officer should combine as much cash as allocated to the above funds as possible and invest it together. Yield should then be allocated according to the capital of the individual cash – backed funds, through the Statement of Financial Performance.

8.5 APPROVED INVESTMENTS

8.5.1 Investments should be structured according to the best yield available and the liquidity needs of the municipality. This can include Call Deposit, Fixed Term Deposits and Endowment Policies for the purpose of Sinking Funds only. Sinking Funds must be created for the purpose of bullet – payment loans and to provide for future commitments such as building enough cash to be able to cover post-retirement benefits in full.

8.6 QUALIFYING INSTITUTIONS

- 8.6.1 It is of utmost importance that investments only be placed with credit-worthy institutions with a national Fitch credit – rating of F1 and higher for short term (0-12 months) credit ratings and Fitch AA and higher for long term (more than 12 months) credit ratings.
- 8.6.2 Fitch and or CA ratings to be obtained of all investment institutions before a financial institution may be considered for investing funds.
- 8.6.3 Ratings must be updated regularly or when there has been structural change in the market or at the particular institution;
- 8.6.4 The optimal combination of the most favourable rated institution and the institution offering the best returns for the investment sought, should be the determining factor when choosing the institution.
- 8.6.5 The following investments are permitted;
- 8.6.5.1 Security issued by National Government;
 - 8.6.5.2 Listed corporate bonds with an investment grade rating from a nationally or an internationally recognised credit rating agency;
 - 8.6.5.3 Deposits with banks registered in terms of the Banks Act of 1990 (Act 94 of 1990);
 - 8.6.5.4 Deposit is with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act of 1984 (Act 45 of 1984);
 - 8.6.5.5 Deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act of 1984 (Act 46 of 1984) "
 - 8.6.5.6 Banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act of 1990 (Act 94 of 1990);
 - 8.6.5.7 Guaranteed endowment policies with the intention of establishing a sinking fund Act of 1990 (Act 94 of 1990);
 - 8.6.5.8 Repurchase agreements with banks registered in terms of the Banks Act of 1990 (Act 94 of 1990);
 - 8.6.5.9 Municipal Bonds issued by the municipality;
 - 8.6.5.10 Any other as might be approved by the Minister of Finance.

8.7 INVESTMENT DIVERSIFICATION

- 8.7.1 Without limiting the Accounting Officer to any specific amount of percentage of investments, it is hereby established that investments made by the municipality should be diversified as much as possible between different institutions, maturity dates and types, but nothing prevents the Accounting Officer from investing more cash with an institution than by another institution with due regards to the standard of care and objectives set in this policy. Not more than 50% of the total investments should be invested with one institution.
- 8.7.2 Having determined that funds are available for investment and the maximum period for which the funds may be invested, the Chief Financial Officer (CFO) (or his delegated nominee in the treasury and budget section) needs to consider the manner in which the investments are placed. As rates can vary according to the money market perception related to the term of the investment, there is merit in obtaining quotes for periods within the maximum determined.

8.8 COMPETITIVE SELECTION OF BIDS OR OFFERS

- 8.8.1 The selection of an investee for any investment shall be a competitive process.
- 8.8.2 In establishing where investments must be made, written quotations must be obtained by the Accounting Officer from all the institutions listed in paragraph 8.6 above. The Accounting Officer may not divulge interest rates to other institutions during the quotation process. If Investments Managers use treasury desks for the purpose of obtaining quotations, the quotations, with a written reason why a specific institution was chosen if the yield is lower than that of another institution, must be forwarded to the Accounting Officer, who must evaluate the reasons and issue such instructions as deemed necessary. Where applicable, quotations shall be invited telephonically from at least three eligible investees for the terms for which the investment is to be placed.
- 8.8.3 Before placing funds externally, consideration must be given to whether the funds cannot be utilised at an equivalent rate to substitute external borrowing, as there is normally a margin between the rate at which local authorities can borrow funds and the rate at which investments can be made over similar periods. Written confirmation of the terms of the investment shall be prepared and exchanged with the investee in all cases.
- 8.8.4 Where funds are held in current account, it is possible and good practice to negotiate deposits at more beneficial rates, e.g. call deposits.
- 8.8.5 These rates can normally be bettered by fixed terms investments. The over – riding principle is that funds in the current account must be kept to the absolute minimum.

8.8.6 If the yields quoted are the same for more than one institution, the Accounting Officer, or delegate, has the authority to decide where the investment should be made, taking into consideration the diversification of investments.

8.9 CALL AND FIXED DEPOSIT PROCEDURES

8.9.1 Quotations should be invited from all approved financial institutions for the term for which the investment is to be placed. In the event of one of the financial institutions offering a more beneficial rate for an alternative term, the institutions invited to quote should be approached for their rates on the alternative term.

8.9.2 It is acceptable to obtain telephonic quotations that should be confirmed by fax or e-mail, as in most instances, rates can change quite regularly on a daily basis and time is of the essence when placing funds.

8.9.3 The person responsible for calling for quotations from institutions should not mention the name of the institution, the person who has given the telephonic quote, and the terms and interest applicable, e.g. Whether interest is payable monthly or on maturity. Written confirmation of the quote accepted should be obtained.

8.9.4 Having obtained the necessary quotations, the decision needs to be made regarding the best terms offered and the institution with whom the investment is to be placed. With due regard to the investment principles, it is customary to accept the best offer made (but subject to the total amount already invested with such institution) and no further negotiations are to be entered into with any of the persons who have tendered their investment rates and terms in an effort to try and push up one against the other.

8.9.5 Having been invited to quote on a particular package, institutions should be advised that they must offer their best rate when they respond and that no further negotiation or discussion will be entered into.

8.9.6 The above procedure should be followed whether placing monies on a fixed investment or on a call basis.

8.9.7 As a standard practice are only made directly with the banks and not through intermediaries.

The Accounting Officer need first to approve any deviations from the standard practice subject to the principles set in Section 8.9.8 and 8.9.8 which must be complied

8.9.8 Certain agents indicate that they can obtain quotations and act on the investors behalf with the various institutions, in order to obtain the best rate. In the event of use being made of an

agent, this should not be the sole quotation received, and the Treasury Section may still obtain independent quotation from financial institutions. Such quotations need to adhere to all principles mentioned in this policy.

8.9.9 In the event of an investment being made through an agent, it is essential to ensure that the paper received is an authentic paper issued by an approved financial institution, and the investment payment must only be made to the municipality in whose name the investment will be made and not to the agent concerned. Any commissions payable to the agent needs to be declared to the municipality.

8.9.10 Once a schedule of investment options has been prepared a decision should be taken by the Chief Financial Officer (CFO) or his delegated on the appropriate institution for investment.

8.9.11 The necessary documents for investing purposes should be completed and the investment should be authorised by two signatories, preferably not the same two signatories that authorise the cheque or electronic funds transfer for payment.

8.9.12 The necessary documents for investing purposes should be completed and the investment should be authorised by two signatories, preferably not the same two signatories that authorise the cheque of the electronic funds transfer for payment.

8.9.13 An investment register should be maintained, defining the following detail –

8.9.12.1 Institutions, per institution;

8.9.12.2 Institution percentage held as a percentage of the total municipal investment portfolio;

8.9.12.3 Type of investment;

8.9.12.4 Investment time period / lifespan;

8.9.12.5 Amount invested;

8.9.12.6 Interest percentage receivable on the investment;

8.9.12.7 Engagement date;

8.9.12.8 Maturity date; and

8.9.12.9 Projected interest yield on maturity.

8.9.14 In accordance with the provincial notice on archiving, investment records are to be retained by the Municipality for an indefinite period.

8.10 COMMISSIONS OR COSTS

8.10.1 No commission for investments made or referred is payable to an official or councillor, or spouse,

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business partner or close family member of an official or councillor by an institution or investment manager.

8.10.2 Any commissions, other rewards or costs paid to an investment manager by an institution must be declared to the municipality by the institution and Investment Manager by way of certificates. Any quotation given to the municipality by an institution or Investment Manager must be net of costs, rewards or commissions, but must also indicate the commissions, rewards or costs which will be paid in respect of the investments.

8.11 PERFORMANCE

8.11.1 The Accounting Officer must annually measure and report to the Council on the performance of:

8.11.1.1 Investments in terms of the stipulated objectives of this Policy; and

8.11.1.2 Investment Managers in terms of the stipulated objectives of this policy.

8.12.4 No investments may be made other than be denominated in Rand and which is not indexed to, or affected by, any fluctuations in the value of the Rand against any foreign currency.

8.12.5 The Municipality's current cash position or projected future cash flows shall not, as a general rule, be discussed with or disclosed to investees.

8.12 FORBIDDEN ACTIVITIES

8.12.1 No investments may be made other than in the name of the municipality

8.12.2 Money may not be borrowed for the purpose of investments.

- 8.12.3 No person, including officials and councillors may interfere or attempt to interfere in the management of investments entrusted to the Accounting Officer or persons delegated by the Accounting Officer including with the investment managers.
- 8.12.4 No investments may be made other than be denominated in Rand in which is not indexed to or affected by any fluctuations in the value of the rand against any foreign currency.
- 8.12.5 The Municipality's current cash position or projected future cash flows shall not, as general rule, be discussed with or disclosed to investees.

8.13 REPORTING

- 8.13.1 The Accounting Officer must, in addition to the reporting in paragraph 7.7 above, within 10 working days of the end of each month, as part of the section 71 report required by the MFMA submit to the Mayor a report describing in detail the investment portfolio of the municipality as at the end of the month.
- 8.13.2 The report referred to above must contain at least a statement, prepared in compliance with Generally Recognised Accounting Practice (GRAP), as amended from time to time, that gives the:
- 8.13.2.1 Beginning market value of each investment for the month;
 - 8.13.2.2 Additions and changes to the investment portfolio for the month
 - 8.13.2.3 Ending market value of each investment for the month;
- and
- 8.13.2.4 Fully accrued interest/yield for the month.
- 8.13.3 The Accounting officer in making investments, must remind the relevant institutions of the institutions' legal reporting responsibilities in terms of Sections 13 (3) and 13 (4) of the Local Government: Municipal Finance Management Act, 2003 and must get a certificate from the institutions that the institutions will comply with the Act. A single certificate per institution for any current and future investments may be obtained and must be kept on the municipality's investment file.

9. REVIEW OF THE POLICY

9.1 This Cash Management and Investment Policy is the sole policy governing cash management and investments in the municipality. The Municipal Council must approve any reviews to this policy.

9.2 The Mayor must submit any proposed changes to this policy to the Council as part of the annual review of policies submitted with the budget documentation.

9.3 Whenever the Minister of Finance or the National Treasury or the Auditor General requires changes to the policy by means of legislation or requests it should be reviewed promptly in accordance with such requirements, giving full details of the reasons for the revision.