



## **GEORGE MUNICIPALITY**

# **CASH MANAGEMENT AND INVESTMENT POLICY**

Issued in terms of section 13(2) of the Local Government Municipal Finance Management Act, 2003 (Act 56 of 2003)

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## **PART 17: DEFINITIONS**

### **Accounting Officer/AO (MFMA) “-**

- a) in relation to a municipality means the municipal official referred to in section 60~~2~~ ~~or~~;

### **Allocation (MFMA) – “means—**

- a) a municipality’s share of the local government’s equitable share referred to in section 214(1)(a) of the Constitution;
- b) an allocation of money to a municipality in terms of section 214(1)(c) of the Constitution;
- c) an allocation of money to a municipality in terms of a provincial budget; or
- d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;”

### **Approved Budget (MFMA) “- means an annual budget-**

- a) Approved by a Municipal Council; or
- b) Approved by a provincial or the national executive following an intervention in terms of section 139 of the Constitution, and includes such an annual budget as revised by an adjustments budget in terms of section 28;”

### **Auditor-General “- means the person appointed as Auditor-General in terms of section 193 of the Constitution, and includes a person—**

- a) acting as Auditor-General;
- b) acting in terms of a delegation by the Auditor-General; or
- c) designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General;”

### **Budget year “- means the financial year for which an annual budget is to be approved in terms of section 16(1);”**

### **Chief Financial Officer/ (CFO) (MFMA) “a person designated in terms of section 80(2)(a)”**

### **Councillor – “means a member of a Municipal Council;”**

### **Creditor – “in relation to a municipality, means a person to whom money owes by the municipality;”**

### **Debt – “means—**

- a) a monetary liability or obligation created by a financing agreement, note, debenture, bond or overdraft, or by the issuance of municipal debt instruments; or
- b) a contingent liability such as that created by guaranteeing a monetary liability or obligation of another;”

**Delegation** – “in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;”

**Financial year** – “The 12-month period between 1 July and 30 June.”

**Irregular expenditure** – “in relation to a municipality or municipal entity, means—

- a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”;

**Investment** – “in relation to funds of a municipality, means—

- a) the placing on deposit of funds of a municipality with a financial institution; or
- b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;”

**Lender** – “in relation to a municipality, means a person who provides debt finance to a municipality;”

**Mayor** – “in relation to—

- a) a municipality with an Executive Mayor, means the Councillor elected as the Executive Mayor of the municipality in terms of section 55 of the Municipal Structures Act; or
- b) a municipality with an Executive Committee, means the Councillor elected as the Mayor of the municipality in terms of section 48 of that Act;”

**Minister** – “means the Cabinet member responsible for finance;”

**Month** – “means one of the 12 months of a calendar year;”

**Municipal Council or Council** – “means the Council of a municipality referred to in section 18 of the Municipal Structures Act;”

**Municipal entity** – “has the meaning assigned to it in section 1 of the Municipal Systems Act;”

**Municipality** –

- a) “when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
- b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);”

**Municipal manager** – “means a person appointed in terms of section 82(1)(a) or (b) of the Municipal Structures Act;”

**MFMA:** - The Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

**MSA:** - The Local Government Municipal Systems Act, 2000 (Act 32 of 2000).

**National Treasury or N.T.**– “means the National Treasury established by section 5 of the Public Finance Management Act;”

**Official** – “in relation to a municipality or municipal entity, means—

- a) an employee of a municipality or municipal entity;
- b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- c) a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;”

**Political structure** – “in relation to a municipality, means—

- a) the Council of a municipality; or
- b) any committee or other collective structure of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act;”

**Public funds** - all monies received by the municipality to perform the functions allocated to them.

**Prescribe** – “means prescribe by regulation in terms of section 168;”

**Primary bank account** – “means a bank account referred to in section 8(1);”

**Quarter** – “means any of the following periods in a financial year:

- a) 1 July to 30 September;
- b) 1 October to 31 December;
- c) 1 January to 31 March; or

d) 1 April to 30 June;”

**Service delivery agreement** – “has the meaning assigned to it in section 1 of the Municipal Systems Act;”

**Short-term debt** – “means debt repayable over a period not exceeding one year;”

**Vote** – “means—

- a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.”

## **PART 2: PREAMBLE**

**4.2.1 WHEREAS** section 13(2) of the MFMA prescribes that a Municipality must have an appropriate and effective Cash Management and Investment Policy; and

**4.2.2 WHEREAS** the Minister of Finance issued Municipal Investment Regulations in 2005 in terms of the MFMA which provides a framework for a Municipal Cash Management and Investment Policy; and

**4.3.3 WHEREAS** a bank, in accordance with section 13 of the MFMA has to disclose details regarding municipal investments; and

**4.4.4 WHEREAS** Councillors and officials, as trustees of public funds have an obligation to ensure that cash resources are managed as effectively, efficiently and economically possible; and

**4.5.5 NOW THEREFORE** the George Municipal Council hereby repeal all its prior and existing Municipal Cash Management and Investment Policies and replace it with the Municipal Cash Management and Investment Policy as set out in this document.

## **PART 3: PURPOSE**

This policy aims to ensure that investment of surplus funds forms part of the financial management procedures of the George Municipality and to ensure that prudent cash management and investment procedures are applied consistently.

## **PART 4: ALIGNMENT WITH THE MUNICIPALITY’S STRATEGIC GOALS AND OBJECTIVES**

4.1. This Policy supports the following municipal strategic directions drawn from the Integrated Development Plan [IDP] and Strategic Development Business and Implementation Plan [SDBIP]:

4.1.1. **IDP:** *“To provide affordable high-quality services through effective governance, administration and fiscal discipline facilitating an environment that is conducive to economic growth and opportunities for all residents whilst ensuring the protection of our natural resources in a sustainable manner to provide a quality living environment for all.”*

4.1.2. **SDBIP:** *“George strives to be the best medium sized city in the Country using all available resources sustainably to the benefit of the community in a growing and a thriving city”*

## **PART 5: CONTEXT**

5.1. The Municipality from time to time has cash flow surpluses and borrowings due to daily receipts and payments.

5.2. The Municipality keeps records of the daily cash position summary, in order to prepare the annual cash flow projection during the annual planning process. This record must be updated on a monthly basis, which the Municipality uses to determine borrowing requirements and surpluses for investment.

## **PART 6: SCOPE OF APPLICATION**

6.1. This Policy applies to all investments made by the George Municipality via its Chief Financial Officer.

6.2. In addition, all investments must be in accordance with the Municipal Investment Regulations. Where there is any conflict between this Policy and the Municipal Investment Regulations, the latter will supersede this Policy.

6.3. This Policy does not apply to: -

6.3.1. A pension or provident fund registered in terms of the Pension Funds Act, 1956 (Act 24 of 1956) or any subsequent legislation; or

6.3.2. In respect of trust money administered by a Municipality where a trust deed prescribes how the trust money is to be invested.

## **PART 7: MAINTENANCE**

~~6-47.1~~ Given the changing nature of the regulatory, control and operational environment of the Municipality, this Policy will be regularly reviewed and updated on an on-going basis.

~~6-27.2~~ For clarification of any matter contained in this Policy, please address queries to the Chief Financial Officer.

## **PART 8: IMPLEMENTATION**

~~7-48.1~~ This Policy is effective from the date of approval by the Council, **as per the approved system of Delegations of the George Municipality.**

~~7-28.2~~ It is the responsibility of the various Line Departmental Managers to bring the content of this Policy to the attention of all parties concerned.

~~7-38.3~~ Enquiries on this Policy can be solicited from the Office of the Chief Financial Officer.

## **PART 9: DUE CARE**

~~8-49.1~~ 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.

~~8-29.2~~ The Municipality is responsible for the total process of risk management, as well as for forming its own opinion on the effectiveness of the process. The Municipal Management is accountable to the Municipal Council for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the municipality.

~~8-39.3~~ The Municipality should set the risk strategy policies in liaison with the Municipal Manager and Senior Municipal Management. These policies should be clearly communicated to all employees to ensure that the risk strategy is incorporated into the language and culture of the municipality.

~~8-49.4~~ The Municipal Council must decide the municipality's appetite or tolerance for risk – those risks it will take and those it will not take in the pursuit of its goals and objectives. The Council has the responsibility to ensure that the municipality has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions, and then to activate what is necessary to proactively manage these risks.

~~8-59.5~~ The Municipal Council should make use of generally recognised risk management and internal control models and frameworks in order to maintain a sound system of risk management and internal control to provide reasonable assurance regarding the achievement of organisational objectives with respect to the:

- a) effectiveness and efficiency of operations;
- b) safeguarding of the municipality's assets (including information);
- c) compliance with applicable laws, regulations and supervisory requirements;
- d) supporting business sustainability under normal as well as adverse operating conditions;



- e) reliability of reporting; and
- f) behaving responsibly towards all stakeholders.

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~~8-79.6~~ The Municipal Council is responsible for ensuring that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken, at least annually, for the purpose of making its public statement on risk management. It should, at appropriately considered intervals, receive and review reports on the risk management process in the municipality. This risk assessment should address the municipality's exposure to at least the following:

- a) physical and operational risks;
- b) human resource risks;
- c) technology risks;
- d) business continuity and disaster recovery;
- e) credit and market risks; and
- f) compliance risks.

~~8-89.7~~ A Risk Committee should be appointed to assist the Municipality in reviewing the risk management process and the significant risks facing the municipality.

~~8-99.8~~ Risk management and Internal Control should be practiced throughout the municipality by all staff and should be embedded in the day-to-day activities.

~~8-109.9~~ In addition to the municipality's other compliance and enforcement activities, the Municipality should consider the need for a confidential reporting process ("whistleblowing") covering fraud and other risks.

~~8-149.10~~ Officials entrusted with investment and management of funds, have a responsibility and are accountable to the community to exercise due care when investing funds.

~~8-129.11~~ Speculation may not be undertaken in any of the processes.

~~8-139.12~~ No interference allowed from Councillors, investment agents, institutions or any other outsiders.

~~8-149.13~~ No inducements may be accepted.

~~8-159.14~~ Interest rates offered by one institution may not be disclosed to another institution.

## **PART 10: POLICY OBJECTIVES AND PRIORITIES**

~~9-110.1~~ The objectives of the policy are to –

9.1.410.1.1 Sketch the general framework within which the municipality should invest and manage funds.

9.1.210.1.2 Ensure compliance with all legislation governing the investment of funds.

9.1.310.1.3 Maintain adequate liquidity to meet cash flow needs.

9.1.410.1.4 Ensure diversification of permitted investments where practical.

9.1.510.1.5 Ensure optimal performance with the least possible risk, in managing and investing the cash resources of the municipality.

9.1.610.1.6 Ensure transparency, accountability and appropriate lines of responsibility in the process.

9.1.710.1.7 Ensure the preservation & safety of investments.

9.210.2 Priorities of the policy:

9.2.410.2.1 Preservation and safety of that investment principle (primary aim): - The Municipality may not assume unreasonable investment risk to obtain current investment income. **In this regard preference will be given to placing investments firstly and primarily with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990).**

9.2.210.2.2 Diversification of investments: - Diversity of investments, types of investments and investment maturities must be considered to allow the municipality to avoid incurring of unreasonable and unavoidable risks regarding specific security types or individual financial institutions.

9.2.310.2.3 Liquidity of investments: - The Investment Portfolio must remain sufficiently liquid to enable the municipality to meet all operating, capital, and debt service requirements. The need for liquidity will be tempered to the extent that the municipality is able to utilize the short-term borrowing to meet its cash flow requirements as allowed in the MFMA.

9.310.3 Investment Maturities:

9.3.410.3.1 May not invest in securities with maturities greater than twelve months.

9.3.210.3.2 The Municipality may invest, with the approval of the Executive Mayoral Committee, in securities not longer than 3 years if the investment is related to a specific cash flow or particular capital project.

9.3.310.3.3 Unnecessary liquidity may adversely affect the return earned on its investment portfolio.

~~9.3.4~~10.3.4 The Municipality will maintain access to short-term market as a liquidity buffer in order to meet unanticipated cash requirements.

~~9.3.5~~10.3.5 If the rate between short term borrowing and portfolio yield is significant, the sale of securities to meet liquidity is preferable.

## **PART 11: GOVERNANCE AND REGULATORY FRAMEWORK**

### **10.1.11.1 This Policy shall comply with the:**

~~10.1.11.1.1~~ Constitution of the Republic of South Africa, 1996 as amended.

~~10.1.2~~11.1.2 Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) – [MSA]

~~10.1.3~~11.1.3 Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) – [MFMA]

~~10.1.4~~11.1.4 Municipal Investment Regulations, 2005 – [MIR]

~~10.1.5~~11.1.5 ~~King III Report on Corporate Governance~~

~~10.1.6~~11.1.6 Any other applicable legislation, regulations and policies that may govern free Municipal Cash Management and Investment Policy and that are not in contradiction with the primary legislation referred to above.

### **10.2.11.2 The MFMA:**

~~10.2.11.2.1~~ Section 13: -

1. The Minister, acting with the concurrence of the Cabinet member responsible for local government, may prescribe a framework within which municipalities must—
  - a) conduct their cash management and investments; and
  - b) invest money not immediately required.
2. A municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed in terms of subsection (1).
3. A bank where a municipality at the end of a financial year holds a bank account, or held a bank account at any time during a financial year, must—
  - a) within 30 days after the end of that financial year notify the Auditor-General, in writing, of such bank account, including—
    - i. the type and number of the account; and

- ii. the opening and closing balances of that bank account in that financial year; and
  - b) Promptly disclose information regarding the account when so requested by the National Treasury or the Auditor-General.
4. A bank, insurance company or other financial institution which at the end of a financial year holds, or at any time during a financial year held, an investment for a municipality, must—
- a) Within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that investment, including the opening and closing balances of that investment in that financial year; and
  - b) Promptly disclose information regarding the investment when so requested by the National Treasury or the Auditor-General.

40.2.211.2.2 Section 65: - Expenditure Management:

- 1. The Accounting Officer must for the purpose of subsection (1) take all reasonable steps to ensure;
  - a) That payments by the municipality are made either electronically or by way of non-transferable cheques, provided that cash management and payment by way of cash cheques may be made for exceptional reasons only, and only up to prescribed limit.

40.2.311.2.3 Section 81: - The Role of the Chief Financial Officer

- a) The Chief Financial Officer of a municipality must perform cash management review and other duties as may in terms of section 79 be delegated by the Accounting Officer to the Chief Financial Officer.

40.2.411.2.4 Section 8: -Primary bank account.

- 1. A municipality must have a primary bank account. If a municipality-
  - a) has only one bank account, that account is its primary bank account; or;
  - b) has more than one bank account, it must designate one of those bank accounts as its primary bank account.
- 2. The following moneys must be paid into a municipality's primary bank account:
  - a) All allocations to the municipality, including those made to the municipality for transmission to a municipal entity or other external mechanism assisting the municipality in the performance of its functions;
  - b) all income received by the municipality on its investments;

- c) all income received by the municipality in connection with its interest in any municipal entity, including dividends;
  - d) all money collected by a municipal entity or other external mechanism on behalf of the municipality; and
  - e) any other moneys as may be prescribed.
3. A municipality must take all reasonable steps to ensure that all moneys referred to in subsection (2) are paid into its primary bank account.
4. No organ of state in the national, provincial or local sphere of government may transfer an allocation of money referred to in subsection (2) to a municipality except through the municipality's primary bank account. All allocations due by an organ of state to a municipal entity must be made through the parent municipality, or if there are more than one parent municipalities, any of those parent municipalities as may be agreed between the parent municipalities.
5. The Accounting Officer of a municipality must submit to the National Treasury, the relevant Provincial Treasury and the Auditor-General, in writing, the name of the bank where the primary bank account of the municipality is held, and the type and number of the account. If a municipality wants to change its primary bank account, it may do so only after the Accounting Officer has informed the National Treasury and the Auditor-General, in writing, at least 30 days before effecting the change.

~~40.2.511.2.5~~ Section 9: - Bank account details to be submitted to provincial treasuries and Auditor-General.

- a) The Accounting Officer of a municipality must submit to the relevant Provincial Treasury and the Auditor-General, in writing—within 90 days after the municipality has opened a new bank account, the name of the bank where the account has been opened, and the type and number of the account; and
- b) annually before the start of a financial year, the name of each bank where the Municipality holds a bank account, and the type and number of each account.

~~40.2.611.2.6~~ Section 10: - Control of municipal bank accounts.

1. The Accounting Officer of a municipality—
- a) must administer all the municipality's bank accounts, including a bank account referred to in section 12 or 48(2)(d);
  - b) is accountable to the Municipal Council for the municipality's bank accounts; and
  - c) must enforce compliance with sections 7, 8 and 11.

2. The Accounting Officer may delegate the duties referred to in subsection (1)(c) to the municipality's chief financial officer only

**40.2.711.2.7** Section 11: - Withdrawals

1. Only the Accounting Officer or the Chief Financial Officer of a municipality, or any other senior financial official of the municipality acting on the written authority of the Accounting Officer, may withdraw money or authorise the withdrawal of money from any of the municipality's bank accounts, and may do so only—
  - a) for cash management and investment purposes in accordance with section 13.

**40.2.811.2.8** Section 45: -Short term debt.

1. A municipality may incur short-term debt only in accordance with and subject to the provisions of this Act and only when necessary to bridge—
  - a) shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year; or
  - b) capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.
2. A municipality may incur short-term debt only if—
  - a) a resolution of the Municipal Council, signed by the Mayor, has approved the debt agreement; and
  - b) the Accounting Officer has signed the agreement or other document which creates or acknowledges the debt.

**40.311.3** **The MSA**

**40.3.411.3.1** Section 96: - A municipality—

- a) must collect all money that is due and payable to it, subject to this Act and any other applicable legislation; and
- b) for this purpose, must adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies and complies with the provisions of this Act.

40.3.211.3.2 Section 60: - Restriction on delegations

“(2) The council may only delegate to the municipal manager the power to make decisions on investments on behalf of the municipality within the municipality’s investment policy contemplated in section 13(2) of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003).”

40.3.311.3.3 Section 81: - Responsibilities when providing services through service delivery agreements

1. A municipality, through a service delivery agreement may assign to a service provider responsibility for managing its own Accounting, Financial Management, Budgeting, Investment and Borrowing activities within a framework of transparency, accountability, reporting and financial control determined by the municipality, subject to applicable Municipal Finance Management.
2. Support granted that does not conform to the legislation referred to above as well as the provisions of this Policy is deemed irregular expenditure and will be treated as such in terms of the provisions of the MFMA.
3. All particulars of the support must be reflected in the budget and any adjustment budgets, in accordance with section 17(3)(j) of the MFMA.

**PART 12: DELEGATION OF AUTHORITY**

44.412.1 The management of all the cash resources of the municipality is the responsibility of the Municipal Manager, in his/her capacity as Accounting Officer, who must, for the proper application of this policy, develop an appropriate system of delegation that will both maximise administrative and operational efficiency and provide adequate checks and balances in the management of the cash resources.

44.212.2 The Chief Financial Officer, as designated in writing by the Municipal Manager, must advise the Municipal Manager on the exercise of the powers and duties with regards to this policy and must assist the Municipal Manager in the administration of the cash resources, the bank accounts and the investment accounts.

44.312.3 The Chief Financial Officer may not sub-delegate the duty to assist the Municipal Manager in the administration of the municipality’s bank and investment accounts.

44.412.4 The delegation to withdraw money from the municipality’s bank from investment accounts may only be given by the Municipal Manager.

44.512.5 The incumbents of the following post are authorised to approve electronic fund transfer on behalf of ~~Council~~ the municipality:

- Electronic Funds Transfer (EFT)

- Deputy Director: Financial Management
- Deputy Director: Expenditure & SCM
- Deputy Director: Financial Operations
- Deputy Director: Strategic Management and Analysis
- Manager: Budget
- Manager: Expenditure
- Manager: Supply Chain
- Manager: Financial Statements

### **PART 13: MANAGEMENT AND INTERNAL CONTROL PROCEDURES**

42.413.1 The Municipal Manager, assisted by the Chief Financial Officer, must take all reasonable steps to ensure:

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

42.4.213.1.2 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.

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

42.4.413.1.4 That criminal proceeding is instituted against any official of the municipality who has allegedly committed an act of financial misconduct or an offence in terms of the MFMA or this Policy.

42.213.2 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.

42.313.3 Controls deemed most important include –

42.3.413.3.1 Controls to prevent the risk of collusion, and assist to ensure separation of duties;

42.3.213.3.2 Custodial safekeeping;

42.3.313.3.3 Clear delegation of duties;

42.3.413.3.4 Written confirmation of telephonic transactions;

42.3.513.3.5 Minimising the number of authorised investment officials;

42.3.613.3.6 Checking and verification by senior officials of all investment



- ~~42.3.7~~13.3.7 Documentation of transactions and strategies;
- ~~42.3.8~~13.3.8 Code of ethics and standards;
- ~~42.3.9~~13.3.9 Strict adherence to Investment Framework Policy and Guidelines;
- ~~42.3.10~~13.3.10 ~~Limits placed on investments by the various officials;~~
- ~~42.3.11~~13.3.11 Procedures manuals;
- ~~42.3.12~~13.3.12 Electronic Funds Transfer limits and a detailed procedure manual for the system; and
- ~~42.3.13~~13.3.13 Regular reporting to the Finance Committee of all investments

## **PART 14: CASH MANAGEMENT**

### ~~13.1~~14.1 **BANK ACCOUNT ADMINISTRATION**

~~13.1.1~~14.1.1 The Municipal Manager 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 any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Chapter 3 of the Act, as well as section 64 of the Act.

~~13.1.2~~14.1.2 The Municipal Manager may delegate the duties attached to the administration of the bank accounts as per Part 11 of this policy.

~~13.1.3~~14.1.3 The Accounting Officer (MM), in conjunction with the Chief Financial Officer (CFO) is responsible for the effective and efficient management of the Municipality funding, including to-

- a) Administer all the municipality's bank accounts;
- b) Account to the Municipal Council for the municipality's bank accounts;
- c) Enforce compliance with Bank account requirements, Guidelines and Regulations in terms of sections 7, 8 and 11 of the MFMA;
- d) Ensure that the municipality accounts daily for the cash movements of all bank accounts in the financial records;
- e) Ensure that provision has been made for sufficient cash for appropriated expenditure and direct charges to meet the progressive cash flow requirements.

~~13.1.4~~14.1.4 The municipality must open at least one bank account in the name of the municipality.

~~13.1.5~~14.1.5 The municipality may not open a bank account –

- a) abroad; (Foreign currency)

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

b)–

c) otherwise than in the name of the municipality.

~~13.1.6~~14.1.6 The municipality must have a primary bank account for day to day activities. If the municipality has only one bank account, that account is its primary bank account; or if the municipality has more than one bank account, it must designate one of those bank accounts as its primary bank account.

~~13.1.7~~14.1.7 The following moneys must be paid into a municipality's primary bank account:

- a) All allocations to the municipality, including those made to the municipality for transmission to a municipal entity or other external mechanism assisting the municipality in the performance of its functions.
- b) All income received by the municipality on its investments.
- c) All income received by the municipality in connection with its interest in any municipal entity, including dividends.
- d) All money collected by a municipal entity or other external mechanism on behalf of the municipality.
- e) Any other moneys as may be prescribed.

~~13.1.8~~14.1.8 The Accounting Officer must submit to the National Treasury, the relevant Provincial Treasury and the Auditor-General, in writing, the name of the bank where the primary bank account of the municipality is held, and the type and number of the account.

~~13.1.9~~14.1.9 If the municipality wants to change its primary bank account, it may do so only after the Accounting Officer has informed the National Treasury and the Auditor-General, in writing, at least 30 days before effecting the change.

~~13.1.10~~14.1.10 The Accounting Officer must submit to the relevant Provincial Treasury and the Auditor-General, in writing within 90 days after the municipality has opened a new bank account, the name of the bank where the account has been opened, and the type and number of the account.

~~13.1.11~~14.1.11 The Accounting Officer must annually, before the start of the financial year of the municipality, submit to the relevant Provincial Treasury and the Auditor-General, in writing the name of each bank where the municipality holds a bank account, and the name and type of each account.

~~13.1.12~~14.1.12 The Municipal Manager, in conjunction with the Chief Financial Officer are responsible for establishing systems, procedures, processes and training and awareness programmes to ensure efficient and effective banking and cash management for the treasury and budget offices.

~~13.1.13~~14.1.13 Sound cash management would include –

- a) Collecting revenue when it is due and banking it promptly;
- b) 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;
- c) 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 or ad-hoc payments to organs of state, such as the South African Post Office for postage / distribution;
- d) Pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the municipality are collected and banked promptly;
- e) 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-utilized assets;
- f) Performing bank reconciliations on a monthly basis to detect any unauthorised entries;
- g) The separation of duties to minimise the incidence of fraud.

~~13.1.14~~14.1.14 Private money, private bank accounts is prohibited.

~~13.1.15~~14.1.15 Delegated authority by the Accounting Officers of departments must assign authority in writing to officials to approve warrant vouchers, or electronic payments.

~~13.1.16~~14.1.16 Only authorised officials may sign authorize electronic transfers as per 11.5 and must initial the counterfoils.

~~13.1.17~~14.1.17 Deposit all money received into the bank account(s) promptly and in accordance with the MFMA, Chapter 3.

~~13.1.18~~14.1.18 Withdrawals from bank account(s) should be completed in terms of the MFMA, Section 11.

~~13.1.19~~14.1.19 Designate and advise NT in writing of details of the primary bank account, or any change in the primary bank account.

~~13.1.20~~14.1.20 In cases where a municipality has more than one bank account, ensure that only the Municipal Manager or Chief Financial Officer is the delegated authority to withdraw funds from the primary bank account.

~~13.1.21~~14.1.21 Check to ensure that all relief, charitable and trust accounts are set up in the name of the municipality and are administered by the Municipal Manager.

~~13.1.22~~14.1.22 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.

~~13.1.23~~14.1.23 Notify the National Treasury 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.

~~13.1.24~~14.1.24 Table in the Council a consolidated report of withdrawals each quarter and submit a copy of the consolidated report to the Provincial Treasury and the Office of the Auditor General.

## ~~13.2~~14.2 **BANK OVERDRAFT**

~~13.2.1~~14.2.1 The Council must approve the bank overdraft facility with the Primer Banker.

~~13.2.2~~14.2.2 The overdraft must only be used when necessary to bridge-

- a) Shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year; or
- b) Capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.

~~13.2.3~~14.2.3 The municipality may only enter into an agreement for an overdraft and credit facility if: -

- a) A resolution of the Municipal Council, signed by the Mayor, has approved the agreement; and
- b) The Accounting Officer has signed the agreement or other documents which create or acknowledge the debt

~~13.2.4~~14.2.4 The Municipal Council may approve a short-term overdraft or credit transaction individually; or approve an agreement with a lender for a short-

term credit facility to be accessed as and when required, including a line of credit or bank overdraft facility, provided that-

~~b)a)~~ The credit limit is specified in the resolution of the Council;  
~~e)b)~~ The terms of the agreement, including the credit limit are changed only by a resolution of the Council; and

~~d)c)~~ If the Council approves a credit facility that is limited to emergency use.

~~13.2.5~~~~14.2.5~~ The Accounting Officer must notify the Council in writing as soon as practical of the amount, duration and cost of any debt incurred in terms of such a credit facility, as well as options for repaying such debt.

~~13.2.6~~~~14.2.6~~ The Municipality must pay off the overdraft or credit facility within the financial year and may not renew or refinance the debt, whether its own debt or that of any other entity, where such renewal or refinancing will have the effect of extending the debt into a new financial year.

~~13.2.7~~~~14.2.7~~ should be limited to R 0.00 (Nil rand).

### ~~13.3~~~~14.3~~ **PETTY CASH PROCEDURES**

~~13.3.1~~~~14.3.1~~ ~~Petty cash procedures must be handled in terms of the Petty Cash Policy as determined by the Chief Financial Officer and may include—~~

- ~~a) Petty cash limits;~~
- ~~b) Balancing and reconciling of cash floats;~~
- ~~c) Petty cash requisitions and authorisations;~~
- ~~d) Petty cash registers; and~~
- ~~e) Supporting documents~~

### ~~13.4~~~~14.4~~ **INTEREST EARNED ON BANK ACCOUNTS**

~~13.4.1~~~~14.4.1~~ Interest accrued on bank accounts must be budgeted for and must be recorded in the municipality's Operating Account as Ordinary Revenues and thereafter be appropriated to the Fund Account in respect of the investment made, depending on the conditions which apply records as per the requirements of GRAP reporting standards.

~~13.4.2~~~~14.4.2~~ Interest can also be appropriated through Council Resolution to any priorities of the Council.

### ~~13.5~~~~14.5~~ **RECEIPTING MANAGEMENT**

~~13.5.1~~~~14.5.1~~ The Municipal Manager is responsible for the administration of all receipting procedures and must take all reasonable steps to ensure that 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. The Accounting Officer must take all reasonable steps to ensure that: -

- a) The municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the Municipality's Credit Control and Debt Collection Policy;
- b) Revenue due to the municipality is calculated on a monthly basis;
- c) Accounts for municipal tax and charges for municipal services are prepared on a monthly basis, or less often as may be prescribed where monthly accounts are uneconomical;
- d) All money received is promptly deposited in accordance with this Act into the municipality's primary and other bank accounts;
- e) The municipality has and maintains a Management, Accounting and Information system which recognizes revenue when it is earned; accounts for debtors; and accounts for receipts of revenue;
- f) The municipality has and maintains a system of internal control in respect of debtors and revenue, as may be prescribed;
- g) The municipality charges interest on arrears, except where the Council has granted exemptions in accordance with its budget-related policies and within a prescribed framework: and
- h) All revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled at least on a weekly basis.

~~13.5.214.5.2 The Accounting Officer must immediately inform the National Treasury of any payments due by an Organ of State to the municipality in respect of municipal taxes or for municipal services, if such payments are regularly in arrears for periods of more than 30 days.~~

~~13.5.314.5.3 The Accounting Officer must take all reasonable steps to ensure that any funds collected by the municipality on behalf of another organ of state is transferred to that Organ of State at least on a weekly basis; and that such funds are not used for purposes of the municipality.~~

#### ~~13.6.14.6~~ **EXPENDITURE MANAGEMENT**

~~13.6.14.6.1~~ The Municipal Manager 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.

~~13.6.214.6.2~~ The Accounting Officer must ensure that: -

- a) The municipality has and maintains a management, accounting and information system which-
  - i. Recognises expenditure when it is incurred;
  - ii. Accounts for creditors of the municipality;
  - iii. Accounts for payments made by the municipality.
- b) The municipality has and maintains a system of internal control in respect of creditors and payments,
- c) Payments by the municipality are made directly to the person to whom it is due unless agreed otherwise or reasons as may be prescribed; and by way of electronic transfer.
- d) All money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure; that the municipality complies with its tax, levy, duty, pension, medical aid, audit fees and other statutory commitments;
- e) Senior Managers / Directors shall advise the CFO of the names of officials empowered to sign vouchers and authorise payment of accounts;
- f) Invoices or statements submitted for payment to the Expenditure section by any department shall be in such a form as may be required by the CFO and must state the reference to the relevant account to meet such payment;
- g) Before recommendation of a supplier is made to the relevant department, the supply chain unit must ensure that: -
  - a) All supply chain processes are duly followed to avoid irregular expenditure
  - b) The recommendation of the supplier is directed to the employee with the appropriate level of authority; and
  - c) The prices, calculations and any taxes are corrected in terms of the quotation or tender received.
- h) When a department authorises the payment of accounts the signatory certifies and authorises that: -
  - a) All processes in terms of the Supply Chain Management Policy of the Municipality had been followed, according to the departments knowledge;
  - b) The goods and services have been received and rendered in good order and are under the control of the Municipality;

- c) The account has not previously been submitted for payment;
  - d) Sufficient budgetary provisions exist;
  - e) If excess expenditure is involved, the resolution authorising the excess expenditure shall be quoted on the voucher.
  - f) Authority for the payments exists, in which case the authority shall be indicated on the voucher; and
  - g) Fruitless and wasteful expenditure has not been incurred.
- i) Before payment is processed the Creditors Department shall ensure that:-
- a) The prices, calculations and any taxes are correct;
  - b) Any discounts to which the municipality is entitled to have been deducted;
  - c) The account has previously not been paid; and
  - d) Sufficient budgetary provisions exist.
- j) Any dispute concerning payments due by the municipality to another organ of state is disposed of in terms of legislation regulating disputes between organs of state;
- ~~k) The municipality's available working capital is managed effectively and economically in terms of the prescribed Cash Management and Investment Framework;~~
- l) The municipality's Supply Chain Management Policy is implemented in a way that is fair, equitable, transparent, competitive and cost-effective: and that all financial accounts of the municipality are closed at the end of each month and reconciled with its records.
- ~~m) The Municipal Manager shall ensure that all tenders and quotations invited and contracts entered into by the municipality stipulate payment terms favourable to the municipality, that is, payment 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.~~
- ~~n) 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 or his nominee before any payment is made.~~
- ~~e) In the case of small, micro and medium enterprises, where such a policy may cause financial hardship to the contractor, payment may be affected at the conclusion of the month during which the service is rendered or within seven days of the date of such service being rendered, whichever is acceptable to the parties.~~



- ~~p) Any such early payment shall be approved by the Chief Financial Officer or his nominee before any payment is made.~~
- ~~q) Notwithstanding the foregoing policy directives, the Chief Financial Officer shall make full use of any extended terms of payment offered by suppliers.~~
- r) The Chief Financial Officer, or his/her delegated official/s shall process payments, for accounts received, periodically to maximize discounts offered by creditors / suppliers.
- s) Payments shall be affected by means of electronic transfers.
- t) Special payments to creditors shall only be made with the express approval of the Chief Financial Officer or his nominee, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end processing.
- u) The CFO may approve occasional pre-payments where it is a condition of an approved contract; a payment to a state-owned entity for services yet to be rendered; or for conferences and other instances where it is a condition of the quotation. Prepayments will not be made to service providers as part of the ordinary service delivery mandate.

#### ~~13.7.14.7~~ **WITHDRAWALS**

~~13.7.14.7.1~~ The CFO 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.

#### ~~13.8.14.8~~ **DEBT MANAGEMENT**

~~13.8.14.8.1~~ In order to ensure adequate cash flow, the municipality may incur short- or long-term debt, provided that ~~the Council approves~~ all debt agreements ~~are approved and signed as per the Council approved system of delegations. The Mayor must sign the Resolutions approving the Debt Agreements and the Municipal Manager must sign the Debt Agreements.~~

#### ~~13.8.2.14.8.2~~ Short term debt

~~13.8.2.14.8.2.1~~ A municipality may incur short-term debt only in accordance with and subject to the provisions of the Municipal Finance Management Act, 2003, and only when necessary to bridge:

-

- a) Shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year; or
- b) Capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments

~~13.8.2.2~~14.8.2.2 A municipality may incur short term debt only if—

- ~~a) A resolution of the Municipal Council, signed by the Mayor, has approved the debt agreement; and~~
- ~~b) The Accounting Officer has signed the agreement or other document, which creates or acknowledges the debt.~~

~~13.8.2.3~~14.8.2.3 The Municipal Council may approve a short term debt transaction individually; or approve an agreement with a lender for a short term credit facility to be accessed as and when required, including a line of credit or bank overdraft facility, provided that—

- ~~a) The credit limit must be specified in the Resolution of the Council;~~
- ~~b) The terms of the agreement, including the credit limit, may be changed only by a Resolution of the Council; and~~
- ~~c) The Council approves a credit facility that is limited to emergency use. The Accounting Officer must notify the Council in writing as soon as practical of the amount, duration and cost of any debt incurred in terms of such a credit facility, as well as options for repaying such debt.~~

~~13.8.2.4~~14.8.2.4 The municipality must pay off short term debt within the financial year; and may not renew or refinance short term debt, whether its own debt or that of any other entity, where such renewal or refinancing will have the effect of extending the short term debt into a new financial year.

### ~~13.8.3~~14.8.3 Long term debt

~~13.8.3.1~~14.8.3.1 A municipality's long-term debt must be consistent with its capital budget.

~~13.8.3.2~~14.8.3.2 The municipality may incur long-term debt only in accordance with and subject to any applicable provisions of the MFMA, including section 19 relating to capital projects, and only for the purpose of—

- a) Capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in section 152 of the Constitution; or
- b) Re-financing existing long-term debt.

~~13.8.3.3~~14.8.3.3 Capital expenditure may include: -

- a) Financing costs, including-
  - i. Capitalised interest for a reasonable initial period;
  - ii. Costs associated with security arrangements;
  - iii. Discounts and fees in connection with the financing;
  - iv. Fees for legal, financial, advisory, trustee, credit rating and other services directly connected to the financing; and
  - v. Costs connected to the sale or placement of debt, and costs for printing and publication directly connected to the financing;
- b) Costs of professional services directly related to the capital expenditure: and
- c) Such other costs as may be prescribed by law or this policy.

~~13.8.3.4~~14.8.3.4 A municipality may incur long-term debt only if the Accounting Officer of the municipality has, in accordance with section 21A of the Municipal Systems Act-

- a) At least 21 days prior to the meeting of the Council at which approval for the debt is to be considered, made public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided;
- b) Invited the public, the National Treasury and the relevant Provincial Treasury to submit written comments or representations to the Council in respect of the proposed debt;
- c) Submitted a copy of the information statement to the Municipal Council at least 21 days prior to the meeting of the Council, together with particulars of the essential repayment terms, including the anticipated debt repayment schedule; and the anticipated total cost in connection with such debt over the repayment period.

~~13.8.3.5~~14.8.3.5 A municipality may borrow money for the purpose of re-financing existing long-term debt, provided that the-

- a) Existing long-term debt was lawfully incurred;
- b) Re-financing does not extend the term of the debt beyond the useful life of the property, plant or equipment for which the money was originally borrowed;
- c) Net present value of projected future payments (including principal and interest payments) after re-financing, is less than the net present value of projected future payments before re-financing; and
- d) Discount rate used in projecting net present value and any assumptions in connection with the calculations, must be reasonable and in accordance with criteria set out in a framework that may be prescribed.

~~13.8.3.6~~14.8.3.6 The Municipal Manager 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: Municipal Finance Management Act, 2003 and in particular Chapter 6 of the Act.

#### ~~13.9~~14.9 CASH FLOW BUDGET

~~13.9.1~~14.9.1 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 in compliance with the municipality's Budget Policy.

#### ~~13.10~~14.10 WORKING CAPITAL MANAGEMENT

~~13.10.1~~14.10.1 The CFO and Manager: Expenditure 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. ~~An internal procedure based on 3 quotations must be adopted.~~

~~13.10.2~~14.10.2 An acceptable level ~~for the for~~ Bad ~~Debt Provision~~Debt Reserve is ~~2:1 or better and the CFO and Manager: Expenditure must take all reasonable steps to ensure that the level is should~~ being maintained. The

exercise to provide for a sufficient level of working capital must be done as part of the budget process, ~~in order to budget accordingly.~~ Inventory levels for own use, must be kept as low as possible. Creditors must be paid within 30 days of date of receipt of invoice or statement, ~~whichever is the latest or applicable but as late as possible with due regards to possible discounts on offer and all steps, consistent with the Council's Credit Control and Debt Collection Policy, must be taken to recover moneys due to the municipality.~~

~~13.10.3~~ 14.10.3 The CFO must, as part of the monthly reporting to the Mayor within 10 working days of the end of each month, report on:

- a) The combined nett balance of the bank and investment accounts of the municipality excluding any balances of unutilised conditional grants, trust moneys 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 moneys 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.
- b) Whether all commitments and accounts had and can be paid on time from the nett balance above and nett realisable accounts receivable.
- c) Whether there is a nett outflow of cash not in accordance with the cash flow budget.
- d) Whether all of the above might cause a financial problem on which the Mayor must act in accordance with the provisions of the Act.

~~13.10.4~~ 14.10.4 The Mayor must, within 30 days of the end of each quarter, report to the Municipal Council on the above and in the case of identifying a financial problem, promptly inform the Council and act in accordance with the provisions of the Act.

## ~~13.11~~ 14.11 **CASH PAYMENT PROCEDURES**

~~13.11.1~~ 14.11.1 ~~Payments received at the Municipal Cashiers, Municipal payment methods availables are as~~ follow:

~~Cash receipting points will be available in George, Uniondale, Touwsrante, Hoekwil Post Office and Haarlem at municipal offices;  
The normal office hours are Monday to Friday 08h00 till 15h30~~

- The Municipality have various dedicated pay points available for cash receipting.

- The Municipality makes use of prepaid electricity sales points in all the suburbs where the Municipality is the approved electricity supplier. ~~these points are open at least from 07h00 till 20h00; and~~
- The Municipality also make uses of third-party payments for example Easy pay and Pay -a- Bill.
- Electronic payments (EFT) can used be used for payment via bank app or municipal app.

~~13.11.1.2~~ 14.11.1.2 Internal Controls:

- Segregation of duties (Cashier and Checking Official).
- Rotation and switching of Cashiers must be preceded by cash up procedure (including the float on hand).
- Cash float values should be recorded.
- Cash floats should be periodically reviewed and should be sample checked on a daily basis.
- Shortages and surpluses in cash should be recorded. All shortages must be paid in by the cashier and all surpluses must be receipted in an item number open for this purpose
- Cash collection times by third parties and banking should not be at set times. All closed banking batches must be deposited and received by the bank within 48 hours.

~~13.11.1.3~~ 14.11.1.3 Issuing of Receipts:

- All payments (including payments received in the mail) should be accompanied by a computer-generated receipt.
- Receipts numbers should be sequential and missing sequences should be accounted for.
- Original receipts must be given to the customer.
- A duplicate computer-generated receipt should be printed for the audit and paper trail purposes.
- 
- The following should appear on a computer-generated receipt –
  - Date on which the receipt was issued.
  - Amount for which the receipt was issued.
  - Cashier responsible for issuing the receipt.
  - Vote or Account to which the payment is to be credited.

- v. Type of payment transaction (cash, debit order, etc.).
- vi. Computer generated receipt number.

13.11.1.4 14.11.1.4 Cancellation of Receipts:

- a) Receipts that are cancelled are to be clearly marked with cancelled written across the face of the receipt.
- b) Cancelled receipts are to include the original receipt (attached to transaction report).
- c) Reasons for the cancellation are to be marked on the cancelled receipt and should include the signatures of the cashier and Checking Official.
- d) The transaction trail for the Cashier for the day should be reconciled to the number of cancelled receipts on hand.

13.11.1.5 14.11.1.5 Cash Balancing:

- a) Daily day end cash-up procedures must be completed before the Cashier and Checking Official may leave the municipal premises.
- b) Balancing of the cash on hand to the computer records must be performed by means of reconciliation before closing of offices every day.
- c) Cash on hand should be counted and the cash float should be removed before balancing to the computer records for the receipts for the day, for a given cashier.
- d) Cash received for the day is keyed into the computer system for each note and coin denomination and for the postal orders.
- e) The Checking Official is responsible for ensuring that the records balance.
- f) Shortages are immediately made good by the Cashier and surpluses are immediately receipted into the cashier surplus vote.
- g) The Cashier amends the cash received on the computer system and the correct totals are banked.
- h) Cashiers takings are locked in the safe overnight.
- i) In the morning, the Cashier and the Checking Official recheck the takings.
- j) The takings and deposit book are placed in the deposit box and the deposit box is sealed.
- k) The seal number is recorded in a seal register.

- l) The Security firm responsible for lifting and banking the municipal takings records the seal number in their records and the Checking Official and the Security firm representative sign the documentation as receipt of the takings from the Municipality to the Security firm for banking purposes.

13.11.1.6 14.11.1.6 Deposit Books for Municipal Takings:

- a) 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.
- b) Completion of deposit slips (in ink), by the Cashier, must be appropriate, comprehensive and accurate.
- c) The deposit book sheets are in duplicate –
  - i. Original for the bank; and
  - ii. Copy 1 fixed copy (book).
- d) The complete deposit books with all slips are forwarded to the bank for stamping purposes.
- e) On return from the bank the deposit slips are reviewed by the Checking Official to follow up on any discrepancies.

13.11.1.7 14.11.1.7 Other Payment Methods:

These relate to other payment mediums such as internet banking, direct deposits, ACB's, Easy Pay, and Pay-A-Bill transactions

13.11.1.8 14.11.1.8 Direct Deposits:

- a) These transactions are handled by the Controller (Electronic Banking).
- b) A summary must be prepared, and the transactions must be captured into the receipting system by a Cashier.
- c) Balancing between the Controller (Electronic Banking) summary and the cashier transactions summary must be completed.

13.11.1.9 14.11.1.9 Third-party Transactions:

- a) All payments are handled by the Controller (Electronic Banking) by means of an internet download and transfer to the SAMRAS System.



- b) The Principle Clerks within the Financial Information Section transfers the payments received from third parties to the Debtors System.
- c) Balancing of the third-parties transaction totals to the Bank totals received is completed by the Controller (Electronic Banking) who completes the cashbook reconciliation.
- d) Variances are followed up by the Controller (Electronic Banking).
- e) The serial numbers of receipt transfers from the institutions must be checked on a daily basis by the accountant to ensure that all receipts/deposits are transferred to the Municipality on a daily basis.
- f) These serial numbers must be recorded by the accountant and any discrepancies must be followed up on a daily basis by the accountant.

~~13.11.1.10~~ 14.11.1.10 Payments received from other pay points

- a) All payments received on behalf of the Municipality by the branches of the Municipality should follow the same procedures as stipulated in sections 13.11.1 to 13.11.2.4 above.
- b) After the daily reconciliation, had been completed, it must be reconciled with the computer records at the head office in George, before deposit slips are compiled.

~~13.11.1.11~~ 14.11.1.11 Payments received by Agencies on behalf of George Municipality

- a) Receipts issued for payments received are reconciled with amount recognised for deposit into George Municipality's bank account.
- b) Any variances are followed up by the Controller (Electronic Banking).
- c) The Agency is accountable for all monies received until the Security firm, responsible for lifting and banking the municipal takings, collects the deposit box.

**PART 15: INVESTMENTS**

~~14.1~~ 15.1 **INVESTMENT MANAGEMENT:**

~~14.1.1~~ 15.1.1 The Municipal Manager 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.

~~14.1.2~~ 15.1.2 The Municipal Manager may delegate the duties attached to investments as per Part ~~14~~2 of this policy.

14.1.315.1.3 In order to ensure that the Municipal Manager or any person delegated in terms of Part 142 complies with this policy in terms of investments and to capacitate the municipality further, the Municipal Manager 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) and who is a registered Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act (Act No. 37 of 2002). The Investment Manager must advise the Municipal Manager or delegated officials on investments and may manage investments on the municipality's behalf, subject to any conditions and controls the Municipal Manager may determine, by for example, this Investment and Cash Management Policy.

#### 14.2.15.2 **INVESTMENT ETHICS**

14.2.115.2.1 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.

14.2.215.2.2 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.

14.2.315.2.3 No person contracted 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 to:–

- a) Any official, spouse or close family member of such official or spouse; and
- b) Any Councillor, spouse or close family member of such Councillor or spouse.

14.2.415.2.4 The Municipal Manager 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 Municipal Manager must give full details of the alleged breach and a written response from the alleged offending party, as well as proof 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.

14.2.515.2.5 Any sponsorship promised, offered or granted to the municipality must promptly be disclosed to the National Treasury and be managed within the Municipal SCM System and Policy.

14.2.615.2.6 Investments by a municipality or municipal entity, or by an Investment Manager on behalf of a municipality –

- a) Must be made with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs;
- b) May not be made for speculation but for investment; and
- c) 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.

14.2.715.2.7 Any uncertainty originating from consultation with an institution prior to making the investment will be considered as a significant reason for not making an investment with this particular institution.

#### 14.315.3 **INVESTMENT OBJECTIVES**

14.3.115.3.1 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 creditworthy rating of BB- and better. Any investments made must be liquidated if an institution's creditworthy rating falls below the level of BB-. **In this regard preference will be given to placing investments firstly and primarily with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990).**

14.3.215.3.2 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.

14.3.315.3.3 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 Municipal Manager 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.

#### 14.415.4 **TYPES OF INVESTMENT ACCOUNTS**

~~14.4.1~~15.4.1 The following cash – backed investment accounts may be established:  
(where applicable)

- a) General surplus cash.
- b) Capital replacement reserve fund.
- c) Accumulated leave fund.
- d) Trust funds where a trust – deed exists.
- e) “Allocation” funds as described in Section 1 of the Local Government: Municipal Finance Management Act, 2003, but excludes the equitable share.
- f) Sinking funds, if applicable.
- g) Debt guarantee reserve fund, if applicable.
- h) Post-retirement benefits funds.
- i) Self – insurance reserve, if applicable.
- j) Housing development funds.

~~14.4.2~~15.4.2 Where a Trust Deed prescribes how the trust money is to be invested, the prescriptions in the Trust Deed will prevail over this policy.

~~14.4.3~~15.4.3 It is a general principle, the higher the investment the better the yield, and for this purpose the Municipal Manager should combine as much cash 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.~~

#### ~~14.5~~15.5 **APPROVED INVESTMENTS**

~~14.5.1~~15.5.1 Investments should be structured according to the best yield available and the liquidity needs of the municipality. ~~This can include Call Deposits and Fixed Term Deposits.~~

~~14.5.2~~15.5.2 Written mandates, signed by the Deputy Director: Financial ~~Administration~~ Management Administration, must be issued to all investees with whom funds are invested, must include –

- a) Authorised dealers;
- b) Authorised signatories;
- c) A dealing sheet, signed by authorised dealers;
- d) Deputy Director: Financial Management Administration and any one authorised signatory may authorise to approve investment;
- ~~e) A written confirmation of each investment transaction must be prepared and signed off by the Deputy Director: Financial Administration and the Chief Financial Officer.~~

#### ~~14.6~~15.6 **QUALIFYING INSTITUTIONS**

~~14.6.1~~15.6.1 It is of utmost importance that the investments only be placed with credit-worthy institutions with a credit-rating of BB- or higher. ~~However should credit ratings not meet the required threshold, short-term investments will be allowed unless such~~with the Institution-institution that is the Bank where the Council's ~~current~~primary account is held.

~~14.6.2~~15.6.2 An Institution's quotation will only be considered if its current grading ~~as well as the date of the grading~~ is shown as part of~~en~~ the quotation.

~~14.6.2 Ratings must be reviewed quarterly.~~

~~14.6.2 Investments that have no longer a minimum acceptable rating as specified in the policy must be liquidated.~~

~~15.6.3 Funds may be invested in any of the investment types listed in regulation 6 of the Municipal Investment Regulations, however, preference will be given to placing investments firstly with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990), and specifically with:~~

- ~~a) Investec Private Bank~~
- ~~b) Absa Bank~~
- ~~c) First National Bank~~
- ~~d) Nedbank~~
- ~~e) Standard Bank~~

~~14.6.2 The following investments are permitted:~~

- ~~a) Securities issued by National Government;~~
- ~~a) Listed corporate bonds with an investment grade rating from a nationally or an internationally recognized credit rating agency;~~
- ~~a) Deposits with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990);~~
- ~~a) Deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act 45 of 1984);~~
- ~~a) Deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act 46 of 1984) Banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990 (Act 94 of 1990);~~
- ~~a) Guaranteed endowment policies with the intention of establishing a sinking fund;~~

- ~~a) Repurchase agreements with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990);~~
- ~~a) Municipal Bonds issued by the municipality;~~
- ~~a) Any other as might be approved by the Minister of Finance;~~
- ~~a) Any other instruments or investments in which the Municipality was under a law permitted to invest before the commencement of this policy, provided that such investments shall not extend beyond the date of maturity or redemption thereof.~~

#### 14.7.15.7 INVESTMENT DIVERSIFICATION

~~14.7.1 Without limiting the Municipal Manager to any specific amount or 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 Municipal Manager 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.~~

~~14.7.3 Having determined that funds are available for investment and the maximum period for which the funds may be invested, the Chief Financial Officer (or his delegated nominee in the treasury and budget section), in advising the Municipal Manager, 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.~~

~~14.7.5~~15.7.1 Funds should be invested, as far as it is practically possible, with the institutions that offer the highest rates. This form of diversification is used to lower the aggregate risk of the investment.

#### 14.8.15.8 COMPETITIVE SELECTION OF BIDS OR OFFERS

~~14.8.1~~15.8.1 In establishing where investments must be made, at least 3 (three) written quotations must be obtained ~~by the Municipal Manager~~ from any of the institutions listed in section ~~14.15.6.5~~ above. ~~The Municipal Manager 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 Municipal Manager, who must evaluate the reasons and issue such instructions as deemed necessary.~~

~~14.8.2~~15.8.2 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.

#### ~~44.10.15.9~~ **COMMISSIONS OR COSTS**

~~44.10.15.9.1~~ No commission for investments made or referred is payable to an official or Councillor, or spouse, business partner or close family member of an official or Councillor by an institution or investment manager.

~~44.10.215.9.2~~ 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, if applicable.

#### ~~44.11.15.10~~ **INVESTMENT MANAGERS**

~~44.11.15.10.1~~ External Investment Managers –

- a) May be approached to administer the investment portfolio;
- b) Must be appointed in terms of the SCM policy; and
- c) All investments must be made within the ambit of this policy and with National Treasury's investment regulation.

~~44.11.215.10.2~~ Internal investment managers –

- a) Must be in accordance with diversification.

~~15.10.3 Performance –~~

~~The Municipal Manager must annually measure and report to the Council on the performance of its:~~

- ~~a) Investments in terms of the stipulated objectives of this Policy; and~~
- ~~b) Investment Managers in terms of the stipulated objectives of this policy~~

#### **PERFORMANCE**

~~14.14.0 The Municipal Manager must annually measure and report to the Council on the performance of its:~~

- ~~–) Investments in terms of the stipulated objectives of this Policy; and~~
- ~~–) Investment Managers in terms of the stipulated objectives of this policy.~~

#### ~~14.19~~15.11 FORBIDDEN ACTIVITIES

~~14.19.1~~15.11.1 No investments may be made other than in the name of the municipality.

~~14.19.2~~15.11.2 Money may not be borrowed for the purpose of investments.

~~14.19.3~~15.11.3 No investments may be made by utilizing an overdraft facility.

~~14.19.4~~15.11.4 No person, including officials and Councillors, may interfere or attempt to interfere in the management of investments entrusted to the Municipal Manager or persons delegated by the Municipal Manager including ~~with any possible~~ the Investment Managers.

~~14.19.5~~15.11.5 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.

#### ~~14.20~~15.12 RECORD KEEPING OF INVESTMENTS

~~14.20.1~~15.12.1 Maintain proper record keeping of all investments, minimum facts should indicate –

- a) Institution.
- b) Principle investment.
- c) Interest rate.
- d) Maturity date.
- e) Details of growth of the investment, calculated annually, including interest capitalised.

~~14.20.1~~ The Investment Register must be examined on a fortnightly basis to identify investments falling due within the next two weeks.

~~14.20.2~~15.12.2 Interest (correctly calculated), should be received timeously, together with distributable capital.

~~14.20.2~~ Investment documents should be kept in a fire-proof safe with controlled access.

~~14.20.3~~15.12.3 The Chief Financial Officer is responsible for ensuring that invested funds are secure and should therefore measure risk and be realistic.

#### ~~14.21~~15.13 REPORTING

~~14.21.1~~15.13.1 The Municipal Manager, 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. The municipality must request certificate/s from the institution where investments were held throughout and held at year end to confirm the closing balances held at the financial year end of the.~~

~~14.21.215.13.2~~ The municipality must within 30 days after an investment of 12 months or longer has been made, publish in a local newspaper in circulation within its area of jurisdiction, full details of investments made.

~~14.21.315.13.3~~ The Municipal Manager is responsible for disclosures in relation to Investment Risk Management and should, at a minimum, disclose in its reports to the Municipal Council:

- a) That it is accountable for the process of risk management and the system of internal control, which is regularly reviewed for effectiveness and for establishing appropriate risk and control policies and communicating these throughout the municipality.
- b) That there is an ongoing process for identifying, evaluating and managing the significant investment risks faced by the municipality, that has been in place for the year under review and up to the date of approval of the annual report and financial statements.
- c) That there is an adequate system of internal control in place to mitigate the significant investment risks faced by the municipality to an acceptable level. Such a system is designed to manage, rather than eliminate, the risk of failure or maximise opportunities to achieve municipality objectives.
- d) Investment risk should not only be reported from a negative perspective. The review process may identify areas of opportunity, such as where effective risk management can be turned to competitive advantage.

## **PART 156: REVIEW OF THE POLICY**

~~16.0 This Cash Management and Investment Policy is the sole policy governing cash management and investments in the municipality. Any reviews to this policy must be approved by the Municipal Council.~~

~~16.0 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.~~

16.1 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.

~~16.2 The Accounting Officer must develop and implement procedure for benchmarking and evaluation of the performance of this policy to meet objectives.~~

~~16.216.3 The Cash Management and Investment policy forms part of the overall financial objectives of the municipality and therefore forms part of the Budget Related policies which are to be reviewed at least annually.~~

~~16.2 The Municipal Manager is responsible for ensuring that the policy is placed on the Municipality's website.~~

## **PART 16.7: MONITORING AND REPORTING**

17.1 The Investment Policy must at all-time be transparent and accountable in respect of every investment made.

The Municipal Manager must submit, within 10 working days of the end of each month, the Section 71 report containing details of the Investments. ~~to the Mayor a report describing in accordance with GRAP the investment portfolio.~~

### 17.2

17.3 Report must at least include the following:

- a) Market value of each investment at the beginning of the reporting period;
- b) Additions and changes to the portfolio;
- c) The market value at the end of the reporting period;
- d) Accrued interest or yield for the reporting period; and
- e) The percentage of total municipal cash that was invested and the total investment and income by maturity group.

17.4 The Chief Financial Officer must report to the National Treasury/Provincial Treasury and Council whenever the consolidated bank balance shows a net overdrawn balance for a period longer than 14 working days.

17.5 Report must at a minimum provide:

- a) The amounts which are overdrawn;
- b) Reasons for overdrawn bank account; and
- c) Steps taken or to be taken to correct situation

**CASH MANAGEMENT INVESTMENT POLICY**

~~This Policy is effective from the date of approval by the Council, as per the approved system of Delegations of the George Municipality. As approved by Council at the Council meeting which was held on ... May 2023.~~

Signed at GEORGE on the .... day of **May 2023**.

.....  
**DR MR GRATZ**  
**MUNICIPAL MANAGER**

DRAFT