



VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

CASH MANAGEMENT AND INVESTMENT POLICY

Policy Number:	Approved by Council:
Resolution No:	Review Date:2022/04/04

1. TERMS OF REFERENCE

Legal Framework:-

- Constitution of the Republic of SA, No 108 of 1996,
- Municipal Finance Management Act, No 56 of 2003,
- Municipal Systems Act, No 32 of 2000
- Deposit taking Institutions: Bank Act 94 of 1990,
- Guidelines from national treasury,
- Victor Khanye Local Municipality Delegation of Powers,

2. PURPOSE

The Cash management, Investment and Financial procedures Policy should provide mechanisms aimed at gaining the highest possible return without undue risk during the period when funds are not needed. Furthermore it should provide direction with regards to the overall cash management within the municipality as well as the financial procedures and processes. The Municipal Council has the following responsibilities:-

- To invest public funds with great care.
- To establish a mechanism of dealing with foreign and local investment within the jurisdiction of the municipality and stimulating economic growth, through job creation and other means.
- To create municipal assets which are positive contributors to the Local Economic Development Strategy.
- To establish and maintain a loan redemption fund for redemption of external loans.
- To manage cash flow.
- To operate and manage their financial processes in a fair, open and transparent way that is consistent and comply to relevant legislations, policy statements and General Recognized Accounting Standards.

3. SCOPE OF APPLICATION

This policy will apply within the Victor Khanye Local Municipality administration.

4. PREAMBLE

As trustee of public funds, the council has an obligation to see to it, that cash resources are managed as effectively and as efficiently as possible, and within generally recognized accounting principles.

5. PROCEDURE

5.1 Limit Exposure to a Single Institution

Larger sums of money should be invested with more than one institution in order to limit the risk exposure for the council. The limit exposure, excluding the primary bank account, per institution is set at R 4 million on any specific time.

5.2. Risk and Return

It should be accepted as a general principle that the larger the return, the greater the risk will be.

5.3. Borrowing Money for Re-Investments

The council will not borrow money only for investment purpose. All funds borrowed must be required for capital purposes and projects approved through the capital budget of the municipality.

5.4. Registered Financial Institutions

The Chief Financial Official entrusted with the responsibility to handle municipal finances must ensure that Institutions where funds are to be invested or where Council is operating its primary bank account (section 8 of the Municipal Finance Management Act) are registered in terms of the deposit taking institutions Bank

Act 94 of 1990 and that they are approved financial institutions as approved by National Treasury from time to time. Council will refrain from investing in institutions which do not have a sound track record in the market.

5.5. Growth Related Investments

When making investments, it should be ensured that at least the Capital amount invested is guaranteed. It is accepted that interest rates may vary from time to time, however a lower interest rate must be accepted for the benefit of low risk. Council will refrain from high income investments at a high risk.

6. GENERAL PRACTICE

6.1. General

After determining if cash is available for investments and fixing the maximum term of investments, the Chief Financial Officer has to consider the way in which investments are to be made, its rates can vary according to many market perceptions with regard to the term of investment, quotations should be requested in writing for periods within the limitations of the maximum term, these should be recorded in a schedule.

6.2. Payment of Commission

It is required by the Auditor General that Financial Institutions where investments are made must issue a certificate with regard to each investment. Said certificate must state that the financial institution has not, nor will pay any commission and has not / nor will grant any other benefit for obtaining such investment to an agent or go between, or to any person nominated by such an agent or go between. No Councilor or official of the municipality may receive any

commission or any other benefit from an institution where Council is investing funds or operating its bank account.

6.3. Reports

- Council has to be given a quarterly and year-end report on all investments.

6.4. Cash In Bank

- Funds in the current account must be sufficient to cover at least one month's Operational and Capital Expenditure.
- All cash receipts must be deposited into Council's primary bank account by no later than one day after it was received. Monies received on a Friday must be banked by no later than the following Monday. Moneys received one day prior to a public holiday, must be deposited into the primary bank account by no later than the next working day.
- When funds are held in a current account, it is a good business practice to operate a call account. The overriding principle is that funds in the current account are to be kept at an absolute minimum, except if interest rate on current account is more or less the same than a call deposit account.

6.5 Withdrawals from bank account

Withdrawals from Council's primary bank account may only be done through an electronic funds transfer (EFT) directly into the bank account of the beneficiary. Confirmation of the bank details of a creditor/supplier/beneficiary must be in writing and attached to every payment processed. Withdrawals from the primary bank account must be approved by at least two senior officials in the Budget & Treasury Offices. Withdrawals from the primary bank account must be approved either by two "A" classified signatures, or at least one "A" and one "B" classified signature. The classification of signatures are as follows:

Chief Financial Officer	-	“A”
Deputy Chief Financial Officer	-	“A”
Assistant Managers Expenditure	-	“B”

Hence all EFT must be approved by either the Chief Financial Officer or the Deputy Chief Financial Officer.

The procurement card must be limited to the following:

1. The refund of deposits held for the rental of halls and other facilities of Council.
2. The refund of consumer deposits.
3. The replenishment of the petty cash and floats of cashiers.
4. The payment of temporary workers are made through EFT payments
5. The payment of creditors under circumstances where EFT is not possible due to:
 - The incorrect bank details supplied by the beneficiary.
 - Connection failures due to network problems to avoid late payment or interest charges.
5. The account balances must form part of the cashbook balance and must be reconciled with the primary bank account.
6. Passwords are maintained on both the financial system and the electronic bank system operated by council. All passwords must be changed regularly being defined as at least monthly.

6.6 Transfers from secondary bank accounts

The money for MIG and DOE (Department of Energy) is usually transferred from primary to secondary so that it might not be used for other expenses but capital projects only.

6.7 Bank accounts

Bank Account Administration: (MFMA – Section 7, 8, 9 and 10)

6.7.1 Primary Bank Account

The following bank account will be utilized as the primary bank account of Council:

Account type	: Current account
Account holder name	: Victor Khanye Local Municipality
Account number	: 420526994
Bank name	: Standard Bank
Branch name	: Delmas
Branch code	: 052644

6.7.2 Secondary Bank Accounts

Council is operating the following secondary bank accounts:

Account type	: Temporary deposit account.
Account holder name	: Victor Khanye Local Municipality
Account number	: 85000026
Bank name	: ABSA
Branch name	: Delmas
Branch code	: 334244

All accounts are operated under the name of the Victor Khanye Local Municipality.

6.8 Cash and bank reconciliations

Only official cashiers will receive money on behalf of Council and will issue an official receipt from Council as and when said money is received. All funds received, will be reconciled on a daily basis and paid into the primary bank account as per the determination of paragraph 6.4 of this policy.

Bank reconciliations between the cashbook and bank accounts will be done on a continuous basis and a report will be submitted on a monthly basis. The Chief Financial Officer will report on a monthly basis to council on the bank reconciliation as well as the bank and cashbook balances.

Said bank reconciliation indicating the cashbook opening balance, the monetary value of all funds received during the month, the monetary value of all payments made during the month as well as the closing cashbook balance at the end of the month, will be reported to Council.

6.9 Credit Worthiness

The municipality will through its delegation of powers delegate the authority to the Chief Financial Officer to invest the maximum amount as stipulated by council. The Chief Financial Officer has to ensure that the credit worthiness and previous performance of the institution are to his/her satisfaction, before investing money with such institutions.

When the CFO makes investment has to ensure that the cash flow of the municipality is in order.

The Chief Financial Officer can invest R4 million and for amounts exceeding R4 million he has to get approval from the Accounting Officer before making the investment.

Only written quotation will be acceptable to council all required details from the institution's representative including the person responsible (Municipal Officer) for making quotations from institutions should record the relevant terms and rates and other facts such as whether the interest is accrued on a monthly basis on a maturation date.

Once the required number of quotations have been obtained, with which funds are to be invested, the best offer is normally accepted, with thorough consideration of the investments principles.

No attempts should be made to make institutions compete with each other as far as their rates and terms are concerned.

The above-mentioned procedure should be followed, regardless of whether the money is to be invested in a fixed deposit or on a call basis.

It is essential to make sure that the investment document received is a generic document, issued by an approved institution, and the investment capital should be paid over only to the institution with, which it is to be invested and not to an agent.

6.10 Management of short-term loan/bank overdraft

A short-term loan may only be obtained in anticipation of a positive income stream or to finance capital projects in anticipation of an approved capital grant or long-term loan.

The short-term loan must be repaid by the end of the financial year.

The council can only approve a short-term loan on the submission of a cash flow statement indicating the anticipated income stream or a certificate stating the approved grant or long-term loan.

A Council approved overnight overdraft facility for a period of no longer than a fortnight and to a value determined by the Council only be exercised by the Municipal Manager.

6.10 Valuation of investments

Investments must be fair valued at market value on 30 June and reported accordingly in the Annual Financial Statements.

6.11 Unauthorized, fruitless/wasteful and irregular expenditure

The Victor Khanye Local municipality uses Section 32 of the Municipal Finance Management Act, no 56 of 2003, as the reference point with regards to unauthorized, fruitless and irregular expenditure. Within the financial framework of the municipality these types of expenditure are defined as follows:

Unauthorized: Expenditure not budgeted for through the approved annual budget or any other adjustments to the approved budget of the municipality as well as expenditure not authorized through the approved delegation of powers of the Victor Khanye Local Municipality.

Fruitless /

Wasteful: Expenditure incurred that could have been saved if the necessary precaution measures were taken or expenditure incurred by the municipality without any benefit to the municipality in terms of its mandate given by the Constitution of the Republic of South Africa, Act 108 of 1996 or any other subsequent acts of parliament.

Irregular: Expenditure incurred which is non-compliant to any policies of the municipality, specifically to the Supply Chain Management Policy, or any other pieces of by-laws of the municipality or relevant acts of parliament.

If any official or councilor of the municipality takes note of an expenditure that might be unauthorized, fruitless or irregular he/she must report it immediately, in

writing, to the municipal manager. After investigating the matter, the municipal manager must report to council with a recommendation to either:

- Condone the expenditure and thereby approve it.
- To recover the expenditure from the councilor or official authorizing/certifying the expenditure.

Through investigating the matter the municipal manager must consider the circumstances under which the expenditure was incurred, possible benefit to the council as well as the possible implications to council should the expenditure not have been incurred.

Deviations from the SCM policy

The municipal manager may approve deviations from the supply chain management policy under the following conditions:

- Due to the recent history of the Victor Khanye Local Municipality, all urgent interventions in respect of the provision of a continued supply of potable water to the community;
- All urgent interventions in respect of the operation of the sewerage purification plant and discharge of sewer that complies with the relevant legal requirements.
- Expenditure relating to “strip-and-quote” in respect of repair and maintenance of council’s assets required for service delivery to the community.
- Any other expenditure the municipal manager may consider to be of an urgent nature to maintain basic service delivery to the community in terms of council’s approved mandate.

Deviations from the SCM policy must be dealt with administratively according to the following process;

- As and when an official identify an urgent expenditure to be incurred in terms of the aforementioned circumstances he/she must report immediately to the relevant director.
- The relevant director must prepare a report to explain the circumstances around the expenditure as well as a motivation to deviate from the SCM policy.
- Said report must be submitted for comments to the SCM unit as well as the Budget & Treasury Office for financial comments.
- Report to be submitted thereafter to the Municipal Manager for consideration.
- After the request was approved by the Municipal Manager can the SCM unit continue with the issuing of an official order.
- In the case of a very urgent expenditure the director involve may continue with the expenditure after confirmation from the municipal manager to continue where-after the municipal manager may condone the expenditure in writing immediately afterwards.

The Municipal Manager must report to Council all deviations from the SCM policy.

7. OTHER EXTERNAL DEPOSITS

Other investment possibilities, which are subject to the applicable legislation and are available to the council include debentures as well as other municipalities or statutory bodies in the Republic instituted under and in terms of any law with regard to such investments; the principles and practice, as set out above, will apply.

8. CONTROL OVER INVESTMENTS

Proper record in the form of an investment register should be kept of all investments made inter-alia the following should be reflected:- The institution, funds, interest rates and the maturation date.

9. ASSETS ACCUMULATION

The council should identify appropriate public assets, which it invests in, which will have a worth-while financial return, and avoid investing in public assets which would be costly for the council.

10. PUBLIC PRIVATE PARTNERSHIP (PPP)

The council should carefully investigate possibilities of (PPP) which may be more viable in rendering municipal services.

It should also review the performance of the municipality with regards to service delivery and investigate the most effective ways of rendering services to communities.

The municipality will explore mechanisms of attracting investment within the jurisdiction of the municipality through reduced assessment rates and other simulative means of contributing to economic growth and job creation.

The municipality will liaise with Provincial and National Government on the required protocol of such ventures. The council will also through its LED Strategy encourage local investment within the municipal area of jurisdiction.

11. INTERNATIONAL INVESTMENTS

The council will not Invest Surplus Funds abroad due to its Local Economic Development Strategy. All Surplus Funds will be invested within the borders of the Republic of South Africa.

However the council will welcome international investors to invest within the municipal council boundaries, in a manner which will be discussed at length in the Local Economic Development Strategy of the Municipality.

12. OTHER FINANCIAL POLICY STATEMENTS/PROCEDURES

See delegation of signing powers attached.