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DR. BEYERS NAUDÉ LOCAL MUNICIPALITY

CASH MANAGEMENT BANKING AND INVESTMENT POLICY

**APPROVED & ADOPTED
BY COUNCIL ON**

(RESOLUTION NO.)

TO BE REVIEWED:

30TH JUNE 2025.

**RESPONSIBLE
ADMINISTRATION UNIT:**
BUDGET AND TREASURY

DIRECTORATE: FINANCIAL
SERVICES

**DR. E.M RANKWANA:
MUNICIPAL MANAGER**

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PREAMBLE

In terms of the requirements of the Local Government: Municipal Systems Act, 2000, (Act 32), the Local Government: Municipal Finance Management Act and Regulations, the Dr Beyers Naude Municipality hereby adopts this Cash Management, Banking and Investment Policy:

1. OBJECTIVE AND SCOPE OF POLICY

- 1.1 The council and staff of the municipality have an obligation to the community to ensure that the municipality's cash resources are managed effectively and efficiently.
- 1.2. The municipality therefore has a responsibility to invest these public revenues knowledgeably and judiciously, and must be able to account fully to the community in regard to such investments.
- 1.3. This policy is intended to provide a framework for ensuring the proper management and investment of its cash resources so as to ensure:
 - 1.3.1. That the net current asset requirements of the municipality are effectively managed;
 - 1.3.2. that sufficient cash resources are available to finance the capital and operating budgets of the municipality;
 - 1.3.3. that the highest possible return on investments is gained without unnecessary risk, during periods when excess funds are not immediately required;
 - 1.3.4. that in so doing, the primary aim of preserving and ensuring the safety of deposits is promoted;
 - 1.3.5. that there is effective control over the management of bank accounts;
 - 1.3.6. that investments are diversified; and

1.3.7 that the risk of financial loss due to dishonoured cheques and financial fraud and corruption are mitigated to reduce irrecoverable money and related costs.

1.4. This policy shall apply to the management of all of the cash resources of the Municipality and to all investments made by it.

2. LEGAL PROVISIONS

The municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of:

2.1. Section 13 of the Local Government: Municipal Finance Management Act No. 56 of 2003 (“the MFMA”). A paraphrase of the provisions of this Act is attached as Annexure 1 to this policy; and

2.2. Any Regulations made thereunder, including, in particular, the Municipal Investment Regulations published under GN R308 in Government Gazette 27431 of 1 April 2005 (“the Investment Regulations”).

3. PRINCIPLES OF SOUND CASH MANAGEMENT

In order to promote sound cash management, the Municipality shall adhere to the following principles:

3.1. All revenue will be collected when it is due and be banked it promptly;

3.2. All payments shall be made, including transfers to other levels of government and non-government entities, no earlier than necessary, with due regard for efficient, effective and economical programme delivery and the creditor's normal terms for account payments;

3.3. Pre-payment for goods or services (i.e. payments in advance of the receipt of goods or services) shall be avoided, unless required by the contractual arrangements with the supplier;

3.4. Discounts to effect early payment shall be accepted only when the payment has been included in the monthly cash flow estimates provided to the relevant treasury;

- 3.5. The debt collection policy shall be pursued and applied to ensure that amounts receivable by the municipality are collected and accounted for;
- 3.6. Cash flow requirements shall be forecasted accurately;
- 3.7. Inflow and outflow of cash shall be synchronized;
- 3.8. The time value of money shall be recognized by economically, efficiently and effectively managing of cash;
- 3.9. Any other action that may promote the efficient utilization of cash resources, such as managing inventories to the minimum level necessary for efficient and effective programme delivery, and selling surplus or under-utilized assets;
- 3.10. Bank overdrafts shall be avoided;
- 3.11 with effect from 1 October 2018 no cheques will be accepted by the municipality. The Chief Financial Officer shall be responsible to ensure that the non-acceptance of cheques are published widely so that the communities and business sector are informed in this regard. Customers must be made aware that the municipality will not accept any responsibility for late payments or disconnection of services for late payment if a customer defaulted due to payment by cheque.
- 3.12 With effect from 1 July 2018 cheques will only be issued by the municipality in extreme cases where it is completely impossible to make payments to service providers via electronic transfer (e.g. paymaster).
- 3.13 The bank shall be approached to provide facilities for temporary workers who do not have bank accounts to enable the municipality to pay temporary workers electronically.

4. CASH COLLECTION

- 4.1. All monies due to the municipality must be collected as soon as possible, either on or immediately after due date, and banked on a daily basis to the credit of the Municipality's primary bank account. In remote areas drop safes will be installed to prevent access to

cash after it was receipted. The bank will empty drop safes and provide safe transport for cash.

4.2. The Municipality shall apply its Credit Control and Debt collection Policy rigorously in order to promote the collection of moneys due to it. This includes charging interest and recovering other costs when appropriate and setting target dates when these are payable.

4.3 .

4.4 The unremitting support of and commitment to the municipality's credit control policy, both by the council and the municipality's officials, is an integral part of proper cash collections, and by approving the present policy the council pledges itself to such support and commitment.

5. RECEIPT OF PAYMENTS

5.1. The receipt of all monies collected by the council shall be acknowledged forthwith by the issue of a numbered official receipt, as provided in this section.

5.2. When payment is received over the counter:

5.2.1. Every payment received by a cashier or other officer responsible for the receipt of money shall be acknowledged at once by the issue of a numbered official receipt or cash ticket;

5.2.2. Every receipt form which is cancelled will be reattached in the correct place, in the receipt book. Where computer generated receipts are used, the original receipt must be filed for audit purposes;

5.2.3 With effect from 1 October 2018 no cheques will be accepted for payment at the municipality. Cashiers are responsible to inform customers prior to receipting the amount payable

5.2.4 The Chief Financial Officer will ensure that sufficient provision is made for card facilities at pay offices to accommodate payment with bank cards;

- 5.2.5 The Chief Financial Officer will arrange that drop-safes will be installed at all remote offices and at cash offices with a high risk for robberies (e.g. traffic department) from which the bank will arrange to remove the deposits regularly to prevent any access to cash after it has been receipted;
- 5.2.6 With effect from 1 October 2018 strictly NO cheques will be accepted; and
- 5.2.7 The municipality will not accept any responsibility for late payments or disconnection of services for late payment if a customer defaulted due to payment by cheque after 30 September 2018.

5.3. When payment is received by post:

- 5.3.1.
- 5.3.2 With effect from 1 July 2018, **no post-dated** cheques will be accepted. Such cheques will be entered in the separate register for post-dated cheques and be sent to the designated official to return such cheques to the sender end to enter return of such cheques into the register.
- 5.3.3. The cheque register together with all remittances received must be sent to a designated official in the finance section;
- 5.3.4. The designated official on receipt of the cheque register together with the remittances will code all remittances and submit it to the cashier for receipting. With effect from 1 October 2018 **NO** cheques will be receipted and all cheques will be returned to sender by the designated official in the finance department.
- 5.3.5 The designated official will inform each customer who made a payment by cheque that cheques will no longer be accepted for payment from 1 October 2018 and all cheques received after 30 September 2018 will not be receipted and will be returned;
- 5.3.6. The cashier will receipt all remittances and issue official receipts to the designated official;
- 5.3.7. The designated official will record all receipts in the cheque register and return same to registry. The Registry Clerk must ensure that all receipts are recorded in the cheque register; and

- 5.4. When money is received by electronic transfer, such transfers must be immediately recorded and receipts must be issued.
- 5.5 Unidentified bank deposits must be adequately followed up. After a period of 6 (six) months, where no claims are made or the origin of the payment is still unknown / unidentified, the amount will be journalized as current year revenue.

6. PAYMENTS TO CREDITORS

- 6.1. The Chief Financial Officer shall ensure that all tenders and quotations invited by and contracts entered into by the municipality stipulate payment terms favourable to the municipality, that is, payment is to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the municipality. This rule shall be departed from only where there are financial incentives for the municipality to effect earlier payment, and any such departure shall be approved by the Chief Financial Officer before any payment is made, but shall in any event be subject to the provisions of Section 65 of the MFMA.
- 6.2. Notwithstanding 6.1, in the case of small, micro and medium enterprises, where such a policy may cause financial hardship to the contractor, then the following shall apply:
 - 6.2.1. if the invoice for the goods or services is received by the municipality before the fifteenth day of the month in which the goods are delivered or the service rendered, the Chief Financial Officer may in his discretion authorize payment thereof to be effected at the end of such month;
 - 6.2.2. if the invoice for the goods or services is received by the municipality after the fifteenth day but before the last day of the month in which the goods are delivered or the services rendered, the Chief Financial Officer may in his discretion authorize payment thereof to be effected on the fifteenth day of the following month;
 - 6.2.3 if the amount to be paid is less than R 5000 (Five Thousand Rand) and the invoice for the goods or service in question is received by the municipality

by no later than 12:00 of the Thursday of the week in which the goods are delivered or the services rendered, the Chief Financial Officer may in his discretion authorize payment thereof to be effected on the Friday of that week.

- 6.3. The Chief Financial Officer shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if he or she determines that there are financial incentives for the municipality to do so.
- 6.4. The Chief Financial Officer shall not ordinarily process payments for accounts received more than once in each calendar month, such processing to take place on or about the end of the month concerned, except when payment is to be effected in circumstances contemplated in 6.2.1, 6.2.2 or 6.2.3.
- 6.5. Special payments to creditors (that is to say, payments made in circumstances not contemplated elsewhere in this section 6) shall only be made with the express approval of the Municipal Manager, who shall be satisfied that there are compelling reasons for making such payments.
- 6.6. Credit statements must be reconciled monthly.
- 6.7. Payments must be made only on receipt of an official order, certified goods received note and official company invoice.
- 6.8. All payments, other than petty cash disbursements, shall be made electronically through the municipality's bank account(s) and no cheques will be issued after 1 July 2018 (except in extreme cases and only with the written approval of the Chief Financial Officer).
- 6.9. The Chief Financial Officer shall, in consultation with the Municipal Manager and with due regard to the council's policy on banking and investments, and subject to 6.10 determine the rules and procedures relating to the signing of cheques, and from time to time jointly with the Municipal Manager decide on appropriate signatories.

- 6.10. Only the Municipal Manager or the Chief Financial Officer, or any other senior official of the Municipality acting on the written authority of the Municipal Manager, may withdraw money or authorize the withdrawal of money from any of the Municipality's bank accounts, and shall do so only for the purposes prescribed in Section 11 of the MFMA.
- 6.11. Notwithstanding the above, wherever possible, payments shall be effected by means of electronic transfers rather than by cheques with the normally accepted control measures being applied.
- 6.12. All requests for payments of whatever nature shall be submitted on payment vouchers, the format of which shall be determined by the Chief Financial Officer. Such vouchers shall be authorised in terms of such rules and procedures as are determined from time to time by the Chief Financial Officer.
- 6.13. The maximum amount and nature of petty disbursements, shall be generally determined from time to time by the Chief Financial Officer, subject, however, to the provisions of the Municipality's Supply Chain Management Policy.
- 6.14. No cash float shall be operated without the authority of the Chief Financial Officer, who may prescribe such procedures relevant to the management of such float as are considered necessary.
- 6.15. The Chief Financial Officer shall be responsible for the payment of all salaries and remuneration benefits to employees and councillors, and for the determination of the payment system to be used.
- 6.16. Payments to creditors shall in any event be made in accordance with the provisions of the MFMA, and in particular, with Section 65 thereof.
- 6.17. The Chief Financial Officer, in consultation with the Municipal Manager, shall prescribe such procedures and measures as may be reasonably necessary to ensure that the banking details supplied by creditors who request payments by the Municipality to be made by electronic transfer or direct deposit into the relevant creditor's bank account are correct, including requesting the bank concerned to verify such information,

provided that the Municipality may recover any cost it may have incurred in connection with such verification from the creditor concerned.

- 6.18 Cheques older than 6 months (stale) must be followed up and deposited electronically into the service provider's/ customer's bank account. Should the relevant service provider/ customer not be traceable, the amount will be reversed against the expenditure account.

7. MANAGEMENT OF INVENTORY

- 7.1. The Chief Financial Officer shall be responsible for the proper administration of all stores.
- 7.2. If sub-stores are established under the control of any head of department, such head of department shall be similarly responsible for the proper administration of such sub-store, and in doing so shall comply with the stock level policies as determined from time to time by the Chief Financial Officer, acting in consultation with the head of department concerned.
- 7.3. No sub-store may be established without the prior written consent of the Chief Financial Officer.
- 7.4. Each head of department shall ensure that such department's inventory levels do not exceed normal operational requirements in the case of items which are not readily available from suppliers, and emergency requirements in the case of items which are readily available from suppliers.
- 7.5. A stock register, reflecting the undermentioned detail must be kept and updated daily:
- 7.5.1 . Item description;
 - 7.5.2. Stores code number;
 - 7.5.3. Transaction date;
 - 7.5.4. On goods received –

- 7.5.4.1. Goods delivery note number;
- 7.5.4.2. Number of items received; and
- 7.5.4.3. Value of items received.

7.5.5. On goods issued-

- 7.5.5.1. Requisition number; and
- 7.5.5.2. Number of items issued.

7.5.6. Balance of items in stock.

7.6. Stock counts must be affected monthly and an annual report reflecting stock shortage and surpluses must be submitted to council as at 30 June of each financial year. All surpluses and shortages must be explained by the accountable head of departments.

7.7. Each head of department shall periodically review the levels of inventory held, and shall ensure that any surplus items be made available to the Chief Financial Officer for sale at a public auction or by other means of disposal, as provided for in the municipality's supply chain management policy.

8. CONTRACT MANAGEMENT

Subject to the provisions of the Municipality's Supply Chain Management Policy:

- 8.1. all buying contracts shall be administered by the Chief Financial Officer, and all payments relating to such contracts shall be authorized by the Chief Financial Officer or the head of department concerned; and
- 8.2. all other contracts, including building, engineering and other civil contracts shall be administered by the head of department concerned, and all payments relating to such contracts shall be authorized by such head of department. The head of department concerned shall ensure that all payment certificates in regard to contracts are properly examined and are correct in all respects before being submitted to the Chief Financial Officer for payment.

9. CASH FLOW PROJECTIONS

- 9.1. The Chief Financial Officer shall prepare an annual estimate of the municipality's cash flows divided into calendar months, and shall update this estimate on a weekly basis, or more frequently, if considered necessary.
- 9.2. Provision must be made in the cash flow estimates for the operating and capital requirements of the municipality.
- 9.3. The operating requirements must include provisions for:
 - 9.3.1. Monthly salary and allowances payments;
 - 9.3.2. Bulk purchases of electricity and water;
 - 9.3.3. Interest on long term loans;
 - 9.3.4. Maintenance of assets;
 - 9.3.5. General expenditure (payments to current creditors); and
 - 9.3.6. Expected daily and monthly incomes.
- 9.4. The estimate shall indicate when and for what periods and amounts surplus revenues may be invested, when and for what amounts investments will have to be liquidated, and when (if applicable) either long-term or short-term debt must be incurred. Heads of departments shall in this regard furnish the Chief Financial Officer with all such information as is required, in good time and in the format required by the Chief Financial Officer.
- 9.5. The Chief Financial Officer shall report to the executive committee or the executive mayor, as the case may be, on a monthly basis and to every ordinary council meeting the cash flow estimate or revised estimate for such month or reporting period respectively, together with the actual cash flows for the month or period concerned, and cumulatively to date, as well as the estimates or revised estimates of the cash flows for the remaining months of the financial year, aggregated into quarters where appropriate.

- 9.6. For purposes of such report, the cash flow estimates shall be divided into calendar months, and in reporting the Chief Financial Officer shall provide comments or explanations in regard to any significant cash flow deviation in any calendar month forming part of such report.
- 9.7. Such report shall also indicate any movements in respect of the municipality's investments, together with appropriate details of the investments concerned.

10. INVESTMENT ETHICS

- 10.1. The Chief Financial Officer shall be responsible for investing the surplus revenues of the municipality, and shall manage such investments in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance, including, in particular, the Investment Regulations.
- 10.2. In making such investments the Chief Financial Officer shall at all times have only the best interests of the municipality in mind, and shall not accede to any influence by or interference from councillors, investment agents or institutions or any other outside parties.
- 10.3. No official or councillor of the Municipality may accept any gift, other than an item having such negligible value that it cannot possibly be construed as anything other than a token of goodwill by the donor, from any investment agent or institution or any party with which the Municipality has made or may potentially make an investment.
- 10.4. The Chief Financial Officer shall not use the services of any agent and shall only invest funds directly with a recognized financial institution.

11. INVESTMENT PRINCIPLES

- 11.1. When money is available for investment, it shall be invested in accordance with the provisions contained in this policy.

- 11.2. After determining whether there is cash available for investment and fixing the maximum term of investment, the Chief Financial Officer must determine the best manner in which to invest it. As rates vary according to money market perceptions, quotations must be requested telephonically or by e-mail, within term limitations, and these must be set out on a schedule.
- 11.3. In order to limit exposure, where large sums of money are available for investment, the Chief Financial Officer shall ensure that:
- 11.3.1. Funds are invested with more than one institution, wherever practicable, in order to limit the risk exposure of the municipality, so that not more than 40% of available funds are invested with any one institution; and
- 11.3.2. As far as it is practically and legally possible, the municipality's investments are so distributed that more than one investment category is covered.
- 11.4. Although the objective of the Chief Financial Officer in making investments on behalf of the municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved in regard to both the financial institution and the investment instrument concerned. No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions. It can be accepted as a general rule that the larger the return, the greater the risk.
- 11.5. When investments are placed with smaller registered institutions, the Chief Financial Officer shall ensure that the Municipality is not exposed to undue risk, and shall ensure that the creditworthiness and performance of the institution are satisfactory. Information from which the creditworthiness of financial institutions can be determined must be obtained and analysed at least annually

- 11.6. Every financial institution with which the municipality makes an investment must issue a certificate to the Chief Financial Officer in regard to such investment, stating that such financial institution has not paid and will not pay any commission and has not and will not grant any other benefit to any party for obtaining such investment.
- 11.7. The Municipality may not borrow money for reinvestment, as this would mean interest rates would have to be estimated in advance, which can be seen as speculation with public funds.
- 11.8. Money kept in current accounts should be kept at minimum levels, as it may be more beneficially invested in other accounts such as call deposits.
- 11.9. If the Chief Financial Officer invests with financial institutions, he or she must ensure that such institutions are registered in terms of the Banks Act 94 of 1990 and that they are approved financial institutions - as approved by the Reserve Bank, from time to time.

12. PERMITTED INVESTMENTS

The Municipality may invest funds only in investment types permitted under Regulation 6 of the Investment Regulations.

13. APPROVED INSTITUTIONS

Subject to the provisions of paragraph 12 above and to Regulations 5, 10 of the Investment Regulations, the Municipality may only make investments with institutions permitted in terms of Regulation 6 of the aforementioned Regulations.

14. CALL DEPOSITS AND FIXED DEPOSITS

- 14.1 Before making any call or fixed deposits, the Chief Financial Officer, shall obtain quotations from at least three institutions.

- 14.2. Given the volatility of the money market, the Chief Financial Officer, shall, whenever necessary, request quotations telephonically, and shall record in an appropriate register the name of the institution, the name of the person contacted, and the relevant terms and rates offered by such institution, as well as any other information which may be relevant (for example, whether the interest is payable monthly or only on maturity, and so forth).
- 14.3. Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, e-mail or any other expedient means).
- 14.4. Any monies paid over to the investing institution in terms of the agreed investment shall be paid over only to such institution itself and not to any agent or third party. Once the investment has been made, the Chief Financial Officer shall ensure that the Municipality receives a properly documented receipt or certificate for such investment, issued by the institution concerned in the name of the municipality.

15. RESTRICTION ON TERM OF INVESTMENTS

- 15.1 From time to time it may be in the best interests of the municipality to make longer-term investments in secure stock issued by the national government, Eskom or any other reputable parastatal or institution, or by another reputable municipality. In such cases the Chief Financial Officer, must be guided by the best rates of interest pertaining to the specific type of investment, which the municipality requires, and to the best and most secure instrument available at the time.
- 15.2 No investment with a term exceeding twelve months shall be made without and without guidance having been sought from the municipality's bankers or other credible investment advisers on the security and financial implications of the investment concerned and the prior approval of the executive mayor or the executive committee, as the case may be.

16. CESSION OF INVESTMENTS

The cession of any investment of the Municipality as security shall be subject to the provisions of Section 48 of the MFMA.

17. SUPPLY CHAIN MANAGEMENT POLICY

The Municipality shall comply with its Supply Chain Management Policy to the extent that it is applicable to the implementation of any aspect of this policy.

18. CONTROL OVER INVESTMENTS

18.1. The Chief Financial Officer shall ensure that proper records are kept of all investments made by the Municipality.

18.2. Such records shall include an investment register in which the following information shall be recorded:

- 18.2.1. Name of institution
- 18.2.2. Capital invested
- 18.2.3. Date invested
- 18.2.4. Interest rate
- 18.2.5. Maturation date
- 18.2.6. Interest received
- 18.2.7. Capital repaid; and
- 18.2.8. Balance invested.

18.3. The investment register and accounting records must be reconciled on a monthly basis.

18.4. The investment register must be examined on a fortnightly basis to identify investments falling due within the next two weeks.

18.5. The Chief Financial Officer must ensure that interest, correctly calculated, is received on due date.

18.6. Investment documents and certificates must be safeguarded in a fire resistant safe, with dual custody. The following documents must be safeguarded:

18.6.1. Fixed deposit letter or investment certificate

18.6.2. Receipt for capital invested,

18.6.3. Copy of electronic transfer or cheque requisition

18.6.4. Excel schedule of comparative investment figures,

18.6.5. Commission certificate indicating no commission was paid on the investment;
and

18.6.6. Interest rate quoted.

18.7 The interest accrued on all the municipality's investments shall, in compliance with the requirements of generally accepted municipal accounting practice, be recorded in the first instance in the municipality's operating account as ordinary operating revenues, and shall thereafter be appropriated, at the end of each month, to the fund or account in respect of which such investment was made.

18.8 In the case of the external finance fund, the Chief Financial Officer may reduce the amount which must be annually invested to redeem any particular loan by the amount of interest so accrued. If the accrual of interest to the external finance fund, unutilised capital receipts and trust funds results in a surplus standing to the account of any such funds, that is, an amount surplus to the resources required in respect of such funds or accounts, such surplus amount shall be credited by the Chief Financial Officer to the appropriation account and re-appropriated to the asset financing reserve.

19. REPORTS

The Municipal Manager shall ensure that reports are submitted to the Mayor as required under Regulation 9 of the Investment Regulations.

20. BANKING ARRANGEMENTS

20.1. The Municipal Manager is responsible for the management of the Municipality's bank accounts, but may delegate this function to the Chief Financial Officer.

20.2. The Municipal Manager and Chief Financial Officer are authorized at all times to sign cheques or electronic transfers and any other documentation associated with the management of such accounts.

20.3. The Municipal Manager is authorized to appoint, in consultation with the Chief Financial Officer, two or more additional signatories in respect of such accounts, and to amend such appointments from time to time. The list of current signatories shall be reported to the executive committee or the executive mayor, as the case may be, on a monthly basis, as part of the report dealing with the municipality's investments.

20.4. All bank accounts and investments must be in the name of the municipality.

20.5. In compliance with the requirements of good governance, the Municipal Manager shall open a bank account for ordinary operating purposes, and shall further maintain a separate account for each of the following:

20.5.1. the administration of the external finance fund and of the asset financing reserve (if these accounts are legally permissible);

20.5.2. capital receipts in the form of grants, donations or contributions from whatever source;

20.5.3. trust funds; and

20.5.4. the municipality's self-insurance reserve (if legally permissible).

20.6. In determining the number of additional accounts to be maintained, the Municipal Manager, in consultation with the Chief Financial Officer, shall have regard to the likely number of transactions affecting each of the accounts referred to.

- 20.7. The selection of the Municipality's Bankers shall be carried out in accordance with the Municipality's Supply Chain Management Policy.
- 20.8 The Municipal Manager shall invite tenders for the placing of the municipality's primary bank account within six months after the election of each new council, such new banking arrangements to take effect from the first day of the ensuing financial year. However, such tenders may be invited at any earlier stage, if the Municipal Manager, in consultation with the Chief Financial Officer, is of the opinion that the services offered by the municipality's current bankers are materially defective, or not cost-effective, and the Council agrees to the invitation of such tenders.

21. RELIEF OR CHARITABLE FUND

- 21.1. No political structure or office bearer of the municipality may set up a relief, charitable, trust or other fund of whatever description, except in the name of the municipality. Only the Municipal Manager may be the accounting officer of any such fund.
- 21.2 A municipality may open a separate bank account in the name of the municipality for the purpose of such relief, charitable, trust or other fund. Money received by the municipality for the purpose of such fund must be paid into the bank account of the municipality, or if a separate bank account has been opened for such fund, into that account.
- 21.3 Money in a separate account opened for such fund may not be withdrawn from the account without appropriation in terms of the approved budget, but only by or on the written authority of the accounting officer, acting in accordance with decisions of the council, and for the purposes for which, and subject to any conditions on which, the fund was established or the money in the fund was donated.

22. RAISING OF DEBT

- 22.1. The Municipal Manager is responsible for the raising of debt, but may delegate this function to the Chief Financial Officer, who shall then manage this responsibility in

consultation with the Municipal Manager. All debt shall be raised in strict compliance with the requirements of the MFMA and only with the prior approval of the council.

- 22.2. The raising of debt shall be governed by the municipality's borrowing policy.
- 22.3 Long-term debt shall be raised only to the extent that such debt is provided for as a source of necessary finance in the capital component of the approved annual budget or adjustments budget. Short-term debt shall be raised only when it is unavoidable to do so in terms of cash requirements, whether for the capital or operating budgets or to settle any other obligations, and provided the need for such short-term debt, both as to extent and duration, is clearly indicated in the cash flow estimates prepared by the Chief Financial Officer. Short-term debt shall be raised only to anticipate a certain long-term debt agreement or a certain inflow of operating revenues.
- 22.4 In managing the municipality's investments, the Chief Financial Officer shall ensure that, whenever a long-term (non-annuity) loan is raised by the municipality, an amount is invested at least annually equal to the principal sum divided by the period of the loan. Such investment shall be made against the bank account maintained for the external finance fund, and shall be accumulated and used only for the redemption of such loan on due date. The making of such investment shall be approved by the council at the time that the loan itself is approved.
- 22.5 If the loan raised is not a fixed term loan, but an annuity loan, the Chief Financial Officer shall ensure that sufficient resources are available in the account maintained for the external finance fund to repay the principal amounts due in respect of such loan on the respective due dates.

23. RELATED POLICIES

This policy must be read in conjunction with the following budget-related policies of the Municipality:

- 23.1. The Credit Control and Debt Collection Policy;
- 23.2. The Indigent Management Policy;
- 23.3. The Supply Chain Management Policy;

23.4. The Budget Policy; and

23.5. The Borrowing Policy.

24. REVIEW OF POLICY

This policy is to be reviewed annually as part of the budget process.

25. RESPONSIBILITY FOR IMPLEMENTATION

The Municipal Manager shall be responsible for the implementation of this policy, provided that the Municipal Manager shall delegate such powers to the Chief Financial Officer as may be required to enable the Chief Financial Officer to perform such duties as are imposed on him or her in terms of this policy, and may delegate such other powers as he or she may deem fit to any staff member of the Municipality.

26. ADOPTION AND COMMENCEMENT

This Cash Management ,Banking and Investment Policy was adopted by Council on and is effective from .

ANNEXURE I: PARAPHRASE OF REQUIREMENTS OF MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003

Note: In terms of Section 60(2) of the Municipal Systems Act No. 32 of 2000 the council may delegate the authority to take decisions on making investments on behalf of the municipality only to the Executive Mayor, Executive Committee or Chief Financial Officer. The foregoing policy is based on the assumption that such authority has been delegated to the Chief Financial Officer.

SECTION 7: OPENING OF BANK ACCOUNTS

Every municipality must open and maintain at least one bank account. This bank account must be in the name of the municipality, and all monies received by the municipality must be paid into this bank account or accounts, promptly and in accordance with any requirements that may be prescribed.

A municipality may not open a bank account:

1. otherwise than in the name of the municipality;
2. abroad; or
3. with an institution not registered as a bank in terms of the Banks Act 1990.

Money may be withdrawn from the municipality's bank account only in accordance with the requirements of Section 11 of the present Act.

SECTION 8: PRIMARY BANK ACCOUNT

Every municipality must have a primary bank account, and if the municipality has only one bank account that account is its primary bank account. If the municipality has more than one bank account, it must designate one of those bank accounts as its primary bank account.

The following must be paid into the municipality's primary account:

1. all allocations to the municipality;

2. all income received by the municipality on its investments;
3. all income received by the municipality in connection with its interest in any municipal entity;
4. all money collected by a municipal entity or other external mechanism on behalf of the municipality, and;
5. any other monies as may be prescribed.

The accounting officer of the municipality must submit to the national treasury, the 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 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 making such change.

SECTION 9: BANK ACCOUNT DETAILS TO BE SUBMITTED TO PROVINCIAL TREASURIES AND AUDITOR-GENERAL

The accounting officer of the municipality must submit to the provincial treasury and to 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 annually, before the start of each financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account.

SECTION 10: CONTROL OF MUNICIPAL BANK ACCOUNTS

The accounting officer of the municipality must administer all the municipality's bank accounts, is accountable to the municipal council for the municipality's bank accounts, and must enforce compliance with Sections 7, 8 and 11 of the present Act.

The accounting officer may delegate the duties referred to above only to the municipality's Chief Financial Officer.

SECTION 11: WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS

Only the accounting officer or the Chief Financial Officer of the municipality (presumably where this power has been appropriately delegated), or any other senior financial official of the municipality acting on the written authority of the accounting officer, may withdraw money or authorise the withdrawal of money from any of the municipality's bank accounts. Such withdrawals may be made only to:

1. defray expenditure appropriated in terms of an approved budget;
2. defray expenditure authorised in terms of Section 26(4) (this Section deals with situations in which the budget was not timeously approved, and the province has been compelled to intervene);
3. defray unforeseeable and unavoidable expenditure authorised in terms of Section 29(1);
4. in the case of a bank account opened in terms of Section 12, make payments from the account in accordance with Section 12(4);
5. pay over to a person or organ of state money received by the municipality on behalf of such person or organ of state, including money collected by the municipality on behalf of such person or organ of state by agreement, or any insurance or other payments received by the municipality for such person or organ of state;
6. refund money incorrectly paid into a bank account;
7. refund guarantees, sureties and security deposits;
8. make investments for cash management purposes in accordance with Section 13;
9. defray increased expenditure in terms of Section 31; or
10. for such other purposes as may be prescribed.

Any authorisation to a senior financial official to withdraw money or to authorise the withdrawal of money from a bank account must be in accordance with the framework as may be prescribed. The accounting officer may not authorise any official other than the Chief Financial Officer to withdraw money or to authorise the withdrawal of money from the

municipality's primary bank account if the municipality has a primary bank account which is separate from its other bank accounts.

The accounting officer must, within 30 days after the end of each quarter, table in the council a consolidated report of all withdrawals made other than withdrawals to defray expenditure appropriated in terms of the approved budget, and submit a copy of the report to the relevant provincial treasury and the Auditor-General.

SECTION 12: RELIEF, CHARITABLE, TRUST OR OTHER FUNDS

No political structure or office bearer of the municipality may set up a relief, charitable, trust or other fund of whatever description, except in the name of the municipality. Only the Municipal Manager may be the accounting officer of any such fund.

A municipality may open a separate bank account in the name of the municipality for the purpose of such relief, charitable, trust or other fund. Money received by the municipality for the purpose of such fund must be paid into the bank account of the municipality, or if a separate bank account has been opened for such fund, into that account.

Money in a separate account opened for such fund may be withdrawn from the account without appropriation in terms of the approved budget, but only by or on the written authority of the accounting officer, acting in accordance with decisions of the council, and for the purposes for which, and subject to any conditions on which, the fund was established or the money in the fund was donated.

SECTION 13: CASH MANAGEMENT AND INVESTMENTS

The Minister, acting with the concurrence of the cabinet member responsible for local government, may prescribe a framework within which municipalities must conduct their cash management and investments, and invest money not immediately required.

A municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be so prescribed.

A bank where the municipality at the end of the financial year holds a bank account, or held a bank account at any time during such financial year, must, within 30 days after the end of such financial year, notify the Auditor-General, in writing, of such bank account, indicating the type and number of the account, and the opening and closing balances of that account in that financial year. The bank must also promptly disclose any information regarding the account when so requested by the national treasury or the Auditor-General.

A bank, insurance company or other financial institution which the end of the financial year holds, or at any time during the financial year held, an investment for the municipality, must, 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. Such institution must also promptly disclose any information regarding the investment when so requested by the national treasury or the Auditor-General.