



CASH MANAGEMENT &
INVESTMENT POLICY
2022-2023

MAMUSA LOCAL MUNICIPALITY

CASH MANAGEMENT AND INVESTMENT POLICY

1. Introduction

Managing the cash resources of the Municipality is a key requirement to ensure the liquidity of the Municipality in order to meet its financial obligations. In order to achieve this objective the Municipality adopted this policy.

2. Statutory framework

Section 13 (2) of the Local Government: Municipal Finance Management Act 2003 (Act No 56 of 2003) requires that the Municipality must establish an appropriate and effective cash management and investment policy in accordance with a framework that may be prescribed by the Minister of Finance¹.

3. Objectives

3.1 The primary object of this policy is to –

The council of the municipality is the trustee of the public revenues, which it collects, and it therefore has an obligation to the community to ensure that the municipality's cash resources are managed effectively and efficiently

Gain the optimal return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes.

3.2 In order to achieve the objective, set out in paragraph 3.1 the Municipality shall aim to-

- (a) preserve and safeguard its cash and investments;
- (b) invest in a diversity of instruments and at a diversity of institutions in order to spread and minimize risk; and
- (c) take into account the Municipality's liquidity needs.

Part A

Cash Management

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.

4.2 Revenues received shall be deposited in the Municipality's bank account on a daily basis.

- 4.3 Every head of department shall be responsible for the collection of all moneys falling within the ambit and area of his or her designated functions.
- 4.4 The Chief Financial Officer shall ensure that all revenues are properly accounted for.
- 4.5 The collection of all arrear revenues and the control of arrear accounts shall be co-ordinated by the Chief Financial officer in terms of the Council's dept collection policy.
- 4.6 The Chief Financial Officer shall ensure that adequate provision is maintained to cover the writing off of irrecoverable revenues, having due regard for the Council's policies on rates and tariffs.

5. **Payments to creditors**

- 5.1 The Chief Financial Officer shall ensure that all contracts awarded by the Municipality stipulate payment terms favourable to the Municipality. As far as possible, payment should fall due not sooner than the end of the month following the month in which a particular service was rendered, goods supplied or work executed, unless-
 - (a) there are financial incentives for the Municipality to effect earlier payment; or
 - (b) in the case of small, micro and medium enterprises, where this policy may cause financial hardship to the contractor. In such case payment may be effected at the end of the month during which the service is rendered, goods supplied or work executed, provided all required documents are provided by the service provider.
- 5.2 Notwithstanding the foregoing policy directives, 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 there are financial incentives for the Municipality to do so.
- 5.3 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. Special payments to creditors shall only be made with the express approval of the Chief Financial Officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end processing.
- 5.4 Wherever possible, payments shall be effected by means of electronic transfers rather than by cheques.
- 5.5 All payments, other than petty cash disbursements, shall be made through the Municipality's bank account(s).
- 5.6 The Chief Financial Officer shall-

- (a) draw all cheques on the Municipality's bank account(s);
 - (b) in consultation with the Municipal Manager, determine-
 - (i) procedures relating to the signing of cheques; and
 - (ii) appropriate signatories.
- 5.7 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 authorized in terms of such procedures as are determined from time to time by the Chief Financial Officer.
- 5.8 The maximum amount and nature of petty cash disbursements shall be generally determined from time to time by the Chief Financial Officer. 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.
- 5.9 The Chief Financial Officer shall be responsible for the payment of all salaries and remuneration benefits to employees and councilors and for the determination of the payment system to be used.

6. Management of Inventory

- 6.1 Each head of department shall ensure that such department's inventory levels do not exceed-
- (a) normal operation requirements in the case of items which are not readily available from suppliers; and
 - (b) Emergency requirements in the case of items which are readily available from suppliers.
- 6.2 Each head of department shall periodically review the levels of inventory held and shall ensure that any surplus items are made available for disposal in accordance with the Municipality's supply chain management policy.

7. Cash management programme

- 7.1 The Chief Financial Officer shall-
- (a) prepare an annual estimate of the Municipality's cash flows divided into calendar month; and
 - (b) update this estimate on a monthly basis.
- 7.2 For the purpose of par 7.1 each departmental head shall supply such information to the Chief Financial Officer as may require.
- 7.3 The estimate shall indicate-
- (a) when and for what periods and amounts surplus revenues may be invested;
 - (b) when and for what amounts investments will have to be liquidated; and

- (c) when, if applicable, either long-term or short-term debt must be incurred.
- 7.4 the Chief Financial Officer shall report on a monthly basis to the Municipal Manager –
- (a) the cash flow estimate or revised estimate for such month;
 - (b) the estimates or revised estimates of the cash flows for the remaining month in respect of which an estimate is submitted;
 - (c) the estimates or revised estimates of the cash flows for the remaining months of the financial year, aggregated into quarters where appropriate;
 - (d) any movements in respect of the Municipality's investments; and
 - (e) such other details regarding the Municipality's investments as may be relevant.
- 7.5 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.

8. Banking arrangements

- 8.1 The Municipal Manager is responsible and accountable for the management of the Municipality's bank account(s). The Municipal Manager may delegate such functions, duties and powers in relation to the management of the Municipality's bank account(s) as may be necessary for the effective and efficient administration thereof.
- 8.2 The Municipal Manager may sign any document, including cheques, relating to the management of the Municipality's bank account(s), provided that under no circumstances shall only one person sign a cheque of the Municipality. The Chief Financial Officer is authorized to sign cheques drawn on the Municipality's bank account(s). The Municipal Manager, in consultation with the Chief Financial Officer, shall appoint at least two additional signatories in respect of such accounts and may amend such appointments from time to time.
- 8.3 In compliance with the requirements of good governance, the Municipal Manager may open a separate bank account for –
- (a) ordinary operating purposes;
 - (b) the external finance fund;
 - (c) the asset financing fund;
 - (d) capital receipts in the form of grants, donations or contributions from whatever source;
 - (e) trust funds; and
 - (f) the Municipality's self-insurance reserve (if legally permissible).
- 8.4 In determining the number of 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.
- 8.5 Unless there are compelling reasons to do otherwise and the Council expressly so directs, the Municipality's bank accounts shall be maintained with

the same banking institution to ensure pooling of balances for purposes of determining the interest payable to the Municipality.

- 8.6 The Municipal Manager shall invite tenders for the placing of the Municipality's bank accounts within six months after the election of each new banking arrangement shall take effect from the first day of the ensuing financial year. However, the Municipal Manager may invite such tenders at any earlier stage, if she or he, after 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.

PART B INVESTMENTS

9. Investment principles

Limiting exposure

Where significant amounts of money are available for investment the Chief Financial Officer shall ensure that they are invested with more than one institution, wherever practicable, in order to limit the risk exposure of the Municipality: Provided that preference shall be given to institutions with local offices when investment decisions are made.

The Chief Financial Officer shall further ensure that, as far as it is practically and legally possible, the Municipality's investments are so distributed that more than one investment category is covered, i.e. call, money market and fixed deposits.

Risk and return

Although the objective in making investments on behalf of the Municipality is 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.

Deposits shall be made only with registered deposit-taking institutions (see par 9.4 below).

Payment of commission

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.

Call deposits and fixed deposits

Any monies paid over to the investee in terms of the agreed investment (other than monies paid over in terms of part 7 below) shall be paid over only to such institution itself and not to any agent or third party.

Once an 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 investee in the name of the Municipality.

When an investment is called up or matures, the capital and interest must be paid out and deposited in Municipality's primary bank account.

Restriction on tenure of investments

No investment with a tenure exceeding twelve months shall be made without the prior approval of the Executive Committee.

10. Minimum acceptable rating for investments

10.1 Cash revenues not immediately required for the Municipality's needs may be invested in any investment type listed in regulation 6 of the Municipal Investment Regulations 2005.

10.2 The Municipal Manager may, subject to the Municipality's supply chain management policy, appoint an investment manager to advise her or him on investments. The Municipal Manager may not appoint an investment manager to manage investments on behalf of the Municipality.

11. Competitive bidding

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

11.2 Given the volatility of the money market, the Chief Financial Officer, shall, whenever necessary, request quotations telephonically, e-mail or fax and shall record in an appropriate register –

- (a) the name of the institution;
- (b) the name of the person contacted;
- (c) the relevant terms and rates offered by such institution;
- (d) whether the interest is payable monthly or only on maturity; and
- (e) any other relevant information.

11.3 One 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).

12. Monitoring and reporting

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

- (a) the date on which the investment is made;
- (b) the institution with which the monies are invested;
- (c) the amount of the investment
- (d) the interest rate applicable; and
- (e) the maturity date.

If any investment is liquidated at a date other than the maturity date, such date shall be indicated in the investment register.

The Chief Financial Officer shall-

- (a) ensure that all interest and capital properly due to the Municipality are timely received; and
- (b) shall take appropriate steps or cause such appropriate steps to be taken if interest or capital is not fully or timely received;
- (c) shall ensure that all investment documents and certificates are-
 - (i) properly secured in a fireproof safe with segregated control over the access to such safe, as determined by the Municipality's records manager;
 - (ii) or are otherwise lodged for safekeeping with the Municipality's bankers or attorneys.

13. Institutional arrangements

Power to invest money of the Municipality

In terms of section 60(2) of the Local Government: Municipal Systems Act 2000, the power to invest cash revenues not immediately required for the Municipality's needs are delegated to the Chief financial Officer, provided that the Chief Financial Officer-

- (a) shall investments for period longer than 12 months only in consultation with the Executive Committee;
- (b) shall at all times comply with this policy and applicable legislation regarding investments; and
- (c) may consult the Municipal Manager or an investment manager appointed in terms of par 10.2 before making an investment.

the power delegated to the Chief Financial Officer in terms of par 13.1.1 shall include all the powers reasonable necessary for, or incidental to, the effective exercise of that power, including the power to sign, execute and authenticate any documents in that regard.

Policy review and amendment

The Municipal Manager shall annually, together with the preparation of the annual budget, review this policy and submit a report and recommendations to the Executive Committee. The Executive Committee shall consider the Municipal Manager's report and recommendations and table it, together with its report and recommendation, with the annual budget in the Council.

Powers of the Executive Committee and Municipal Manager regarding investments

The Chief Financial Officer shall submit such reports regarding the Municipality's investments, as the Executive Committee and the municipal Manager may determine.

14. Investment ethics

In making investments the Chief Financial Officer shall-

- (a) at all times have only the best considerations of the Municipality in mind; and
- (b) shall not accede to any influence by or interference from Councillors, investment agents or institutions or any other outside parties except for the outcome of any consultation with the Executive Committee.

The Chief Financial Officer shall disclose or declare in the appropriate register the gift, reward or favour to the value exceeding R300-00 as 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.

15. Investments for the redemption of long-term liabilities

In managing the Municipality's 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. 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.

16. Interest on Investments

The Interest accrued on all the Municipality's investments shall, in compliance with the requirements of generally accepted municipal accounting practice (GAMAP)/ generally recognized accounting practiced (GRAP), be recorded in the first instance in the Municipality's operating account as ordinary operating revenues.

In the case of the external loans 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 loans fund, unutilized capital receipts and trust funds results in a surplus standing to the account of any such funds, i.e., an amount surplus to the resources required in respect of such funds or accounts, the Chief Financial Officer shall credit such surplus amount to the appropriation account and re-appropriated to the asset financing reserve.

17. Approval of policy and date of effect



MUNICIPAL MANAGER

2022/11

DATE