THABAZIMBI LOCAL MUNICIPALITY

CASH MANAGEMENT AND INVESTMENT POLICY 2026/27

POLICY NUMBER XXXXXX

APPROVED BY COUNCIL: DD/MM/YYY

SPEAKER'S SIGNATURE: ___________________

DATE: _______________

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1. Foreword

In terms of Section 13(2) of the Local Government: Municipal Finance Management Act No.56 of 2003, a municipality must establish an appropriate and effective Cash Management and Investment policy; and whereas section 7 of the MFMA determines that a Municipality must open and maintain at least one bank account in the name of the municipality and that all monies received by the municipality must be paid into its bank account or accounts and must be done promptly and in accordance with the provisions of this section.

Section 8 of the MFMA further states that a municipality must have a primary bank account. If the municipality has only one bank account the account shall be deemed to be its primary bank account or if a municipality has more than one bank account, the municipality must designate one of those bank accounts as its primary bank account.

2. Framework

a) Legislation – Local Government: Municipal Finance Management Act 56 of 2003 (as Amended).
b) Treasury Regulations in terms of section 13 of the MFMA (as Amended).

3. Objectives

a) To maintain a sound and secure cash management and investment mechanism of the municipality by establishing effective internal controls for the management of the municipality's bank accounts, Investments, cash-flows and related financial matters.

b) To maximize returns from authorized investments, consistent with the secondary objective of minimizing risks.

c) To ensure compliance with all legislation governing the investment of public funds.

d) To undertake the investment of funds not immediately required for operational purposes in a prudent financial manner.

e) To ensure diversification of permitted investments.

f) To maintain adequate liquidity to meet cash flows needs.

g) Compliance with GRAP Standards in terms of accountability and reporting.

4. Cash flow Management Policy

The municipality, from time to time, has cash flow surpluses and borrowing requirements because of daily cash receipts from debtors, government allocations and payment of creditors/suppliers. Controls should be in place to ensure that all revenues collected are received and accounted for and that expenditure incurred is duly authorized, recorded and accounted for.

4.1. Bank Accounts

Council should operate with one primary bank account in accordance with section 8 of the MFMA. All monies collected by council should be recorded and paid into the Primary Bank account; such monies are prescribed in section 4.2 and 4.3 of this policy.

The municipality's bank account details should be submitted to the provincial treasury and Auditor general by the Accounting Officer within 90 days after the municipality has opened such an account in accordance with section 9(a) of the MFMA. The banking details should also be submitted annually before the beginning of the financial year, such information shall include the Name of each bank where the municipality holds a bank account, account type and number of each account.

4.2. Municipal Revenue

All municipal revenues collected should be paid into the municipality's primary bank account in accordance with section 8(2) of the MFMA. Such revenues include the following:

- All allocations to the municipality in terms of the Division of Revenue Act (DORA)
- All income received by the municipality on its investments including interest
- All monies collected by the municipality because of its operations or services rendered to consumers
- Any other moneys as may be prescribed

4.3. Banking of Collected Revenues

All monies collected by the municipality's revenue department should be paid into the municipality's primary bank account in accordance with section 8(2) on a day-to-day basis. Such monies shall include:

(a) Property rates

(b) Service charges – (Refuse sewage, sale of water and electricity and other miscellaneous receipts)

(c) Allocations from the National and provincial departments and other organs of state

(d) Other revenue

Payments of consumer service charges can only be made in the following manner:

(a) Over the counter cash payments - the cashier receiving the money shall receive the transaction and issue out a pre-numbered receipt to the consumer. (The use of Debit and credit cards is permitted as Thabazimbi Municipality has the facility)

(b) Direct bank deposits into the municipality's primary bank account – where the consumer shall quote his/her service account number as the reference number. Such transactions shall be received by the cashiers upon receiving the bank statement the following day. In a case where the consumer did not quote the service account number as the reference of their direct deposit, such monies shall be receipted and recorded into the unclaimed vote number until the consumer comes with the proof of deposit so that the money can be allocated into the consumer account

All the cash receipt transactions received by the cashiers shall be physically counted and should balance with the total receipts for the day on the FMS. It is the responsibility of the cashier's supervisor to monitor the daily takings of the cashiers.

All cash collected shall be deposited into a cash bag, sealed with a unique seal number and be kept in the safe overnight and should be banked the following morning by the municipality's cash in transit security company.

It is the responsibility of the Divisional Manager: Revenue, to ensure that all the cash collected is duly recorded and a daily cash summary is prepared, balanced and archived correctly.

4.4. Deposits of Money collected on behalf of the Municipality.

All monies collected on behalf of the municipality by the appointed vending entities should be deposited into the municipal bank account daily or as per the signed SLA.

Reconciliations performed weekly by the Revenue Manager/ designated official to agree the amount collected by the vending entities on behalf of the municipality to the amount deposited in the municipal bank account (This requires agreeing the daily vending reports to the amount deposited in the municipal bank account daily and following up on any differences)

Any amounts not paid over to the municipality should be followed up with the vending entity for any reason for non-payment/contravention to the signed SLA.

5. Municipal Expenditure

All expenditure of Thabazimbi Local Municipality shall be incurred in terms of section 11 of the MFMA and section **6** of this policy. All creditors will be paid within 30 days of receiving a certified invoice that the service was satisfactorily delivered as per section 65 (e) of the MFMA.

6. Electronic Fund Transfer

The Chief Financial officer shall delegate officials in writing for authority to process electronic payments. No one person should be able to process transactions from beginning to end single handedly. A minimum of three officials should be allowed to process EFT's on behalf of the municipality (Refer to Delegates). This practice shall ensure the segregation of duties and division of authority to minimize fraud.

7. Delegation/ Rights

Delegation shall be made in terms of Section 79 of the MFMA. Only the Accounting Officer or the Chief Financial Officer of Thabazimbi Local municipality or any other delegated senior financial official of the municipality acting on written authority of the accounting officer may authorize the withdrawal of money from the Thabazimbi municipality's bank account through Electronic Fund Transfer. Such withdrawals shall be accompanied by official expenditure documents which are duly authorized for purposes as prescribed in section 11 (a)-(j) of the MFMA.

8. Bank Overdraft

In terms of section 45(1) of the MFMA the municipality may incur short-term debt provided that the municipality will settle the debt within the same financial year.

An overdraft may be incurred as a short-term debt provided the debt is approved through a council resolution of the municipal council and signed by the mayor/speaker for the agreement to be binding (see section 45(2)(a) of the MFMA Barring the fact that Thabazimbi municipality has an approved overdraft facility with its primary banker for possible unanticipated short-term cash flow shortfall, its general policy is to avoid going into overdraft. The overdraft facility for the municipality may not exceed an amount of R5, 000,000.00.

9. Policy

9.1. General Policy

Generally, Thabazimbi Municipality will invest surplus funds with deposit taking institutions registered in terms of the Bank's Act 94 of 1994 for terms not exceeding one (1) year in anticipation of cash flow expectations. From time to time with the approval of council, investments can exceed one year and be made to other Institutions/investment portfolios as approved by the National Treasury Regulation. Such practices shall be done with prior approval from council through a council resolution.

9.2. Diversification

The municipality may not invest more than 30% of the available funds in the same investment product. The council may only make investments with approved institutions which have an A rating.

9.3. Investment Managers

External Investment Managers

Thabazimbi Municipality may as and when required approach an external A-graded investment portfolio manager to administer the investment portfolio on its behalf. The external investment manager shall be appointed in terms of the Thabazimbi Municipality's Supply Chain Management Policy and Treasury Regulations, and a service level agreement will be signed and shall govern functions and responsibility of the service provider. All investments made byte external investment manager on behalf of Thabazimbi Municipal council must be made within the ambit of this policy and National Treasury Regulations.

Internal Investment Manager

All investments made by the internal investment manager shall be in accordance with section 9.4 of this policy.

9.4. Internal Controls over Investments

9.4.1. Delegations

In terms of section 79 of the MFMA, the Accounting Officer may Delegate the Chief Financial Officer, in writing, his duty under section 65(2) h of the MFMA to manage the council's available working capital effectively and economically in terms of the prescribed cash management and investment framework. The CFO may sub-delegate this responsibility to a Finance Divisional Manager in writing. The latter does not mean that the responsibility/accountability is abdicated.

9.4.2. Obtaining Investment Quotations and Concluding Deals

Writing mandates, signed by the Divisional Manager: Accounting Services, The CFO and the Accounting officer, shall be issued to all investees with whom the council of Thabazimbi invests funds setting out the following:

- Authorized dealers: name and particulars of the council's officials who are authorized to transact investment dealings with investees;
- Authorized signatories: name and particulars of the council's officials who are authorized to sign written confirmations or any other correspondence in respect of investment transactions.
- A dealings sheet, signed by an authorized dealer, shall be prepared in all instances for each individual investment, detailing the quotations received and recommended by the investor. The Chief Financial Officer, together with any one of the authorized signatories shall be authorized to approve such transaction.

A written confirmation of the terms of each investment shall be prepared and signed off byte Divisional manager: Budgeting and the CFO.

9.5. Ownership

All investments must be made in the name of Thabazimbi Local Municipality. Written proof of investments made must be obtained from the institution where the Investment is made and must be kept in the Investment Register file.

9.6. Investment Register

The Chief Financial officer should ensure that Thabazimbi Local Municipality maintains an investment register which records or entails the following:

- Details of the financial institution in which funds are invested
- Account/Reference Number
- Initial investment Amount
- Interest rate and the cycle of interest claims
- Initial investment date and the maturity date of the Investment
- Withdrawal amount from the Investments
- Investment contracts

10. Petty Cash

10.1 Legislation

This policy is issued under the authority of section 15 of SCM Regulations and should be read in conjunction with the Supply Chain Management Policy.

Section 15 of the Supply Chain Regulations requires the following:

A supply chain management policy must stipulate the conditions for the procurement of goods by means of petty cash purchases referred to in regulation 12 (1)(a), which must include conditions –

a) determining the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager;

(This responsibility is not delegated at Thabazimbi local Municipality and remains with the S57 Manager)

b) limiting the number of petty cash purchases or the maximum amounts per month for each manager;

10.2. Policy Statement

a) It is Thabazimbi local Municipality's policy to use petty cash funds for making small miscellaneous payments herein called minor expenditure when immediate settlement is required or when this method of payment is more cost-effective.

b) A petty cash float shall not exceed R 5,000 and no single expenditure from that fund shall exceed R 500 per transaction without the prior approval of the CFO. The expenditure shall not be deliberately split to avoid the said limit.

c) The total amount of petty cash, in the form vouchers or cash, shall be counted (physical verification) in full at year end before closure of Revenue for the financial year and there should always be an amount equal to R 5,000. This is in line with the accrual basis of accounting.

10.3. Prohibited Petty Cash Payments

a) This policy must still be read in conjunction with other relevant policies and petty cash purchases should still adhere to the conditions of these other policies.

b) Petty cash advances must not be used to provide change, to give salary advances to employees.

c) No personal use or check cashing from these funds is allowed. It shall be deemed an offense to use Petty Cash for private matters even if the intention is to repay.

d) Petty cash shall not pay for installment invoices such as rental or equipment or open orders even if the amount falls within the limit specified.

e) Departments are not allowed to have more than **five (5)** petty cash purchases per month.

Petty cash shall not be used for:

a) Energy drinks (e.g. Red Bull)
b) Petrol charges
c) Toll gate slips
d) Travel or any other salary claims
e) Salaries and Wages
f) Assets

10.4. Authority and Reporting

a) The CFO or the delegated person must ensure the control and safekeeping of petty cash funds (including suitable locks, keys or combinations in accordance with the suitable cash handling regulations and policies.
b) Excesses, shortages, losses and thefts must be recorded and reported promptly to the CFO.
c) Reporting on the utilization of the petty cash shall be reported to the CFO / delegate monthly.
d) The custodian of a petty cash fund shall give a reconciliation to the CFO / delegate within 5 working days or float replenishment of the end of each month in which expenditures are incurred showing that the cash on hand plus receipts, less paid vouchers equal the amount of the advance.

10.5. Monitoring

a) The Municipal Manager may conduct internal audits to evaluate compliance with this policy.

b) Periodic unannounced verifications of the petty cash advances should be made by internal audit to determine whether the funds are being used properly and to ensure that they are adequately protected against loss or misuse and are properly accounted for.
c) The Municipal Manager will monitor the effectiveness of this policy by reviewing internal audit reports.

10.6. Accounting and Control

a) Petty cash must be used when it is more cost-effective than other payment methods such as electronic transfer within the ambit of this policy.
b) Before establishing or increasing petty cash funds, the Divisional Manager: Expenditure must ensure that the security and safekeeping arrangements are commensurate with the risk of theft and the size of the petty cash fund.
c) There must be only one official, with one backup, delegated by the CFO responsible for a petty cash fund at any given time. Only these two persons should be allowed access to the cash in this fund. When the official is being changed, an acknowledgement must be obtained.
d) When disbursements are not made frequently, the custodian should check the petty cash fund at least once a week to ascertain that no theft has taken place.
e) If a shortage is discovered, it must be reported promptly to the CFO who, after reviewing the circumstances of the case, shall, in consultation with the Municipal Manager, take whatever corrective or recovery action is necessary.
f) The custodian is required to reimburse losses and shortages unless the prescribed procedures were followed and the petty cash was properly secured; there is physical evidence of breaking-in and no act or omission on the part of the custodian contributed to the loss, as stipulated by the policy.

10.7. Safekeeping and Advancing of the Petty Cash

a) The petty cash fund should be kept separately from other funds and to be safeguarded in lockable cash box which should be kept locked not only after hours but also during normal business hours in a safe or a filing cabinet approved by the CFO. Keys and combinations should be kept in a secure place by the custodian.

b) All purchase requirements utilizing petty cash shall be approved by the relevant Senior Manager on the petty cash expenditure voucher and advance voucher.

c) An official to whom a petty cash advance is issued is personally responsible and any loss or shortage in respect of that advance may be recovered from that individual.

d) A Petty Cash Advance Voucher will be required before issuing an advance indicating the amount requested and the reason for the purchase, items to be purchased and authorized by the departmental HOD.

e) A Petty Cash Expenditure Voucher will be required to finalize the procurement indicating the amount and items purchased, the segment details to be paid from and authorization by the departmental HOD and BTO.

f) All expenditures must have a properly filled out petty cash expenditure voucher with original invoices or receipts attached. Once paid, these supporting documents must be stamped "paid" to prevent re-use. No payment will be made for lost receipts or invoices.

g) The voucher and proof of expenditure must be submitted to cashier within 3 working days of incurring the actual expenditure or receiving the advance. Failure to claim within this period will result in the expenditure being forfeited. If the money was advanced and the claim expires, the amount will be recovered from the responsible individual's salary.

h) Repayment of all or part of a petty cash advance that must be reimbursed must be made in full by the custodian in a single payment.

i) When the official delegated by the CFO issues a petty cash advance, he or she may at any time, by written notice to the official to whom the advance has been made, require an accounting and repayment of any unexpended balance. The custodian shall, not later than 2 days after receiving such notice, provide an accounting and repay the advance.

j) Replenishment of the petty cash fund can be done by the delegated official when the fund balance reaches the minimum of R 500.

11. Due Care

In dealing with financial institutions, the following ethical principles must be observed:

- The Accounting Officer, Chief Financial Officer and any other section 79 delegated officials shall not accede to any influence by or interference from councilors, investment agents, institutions or any other outsiders.
- Under no circumstances may inducements to invest be accepted.
- Interest rates quoted by one institution must not be disclosed to another institution; and
- The business ethics of any controlling body of which the relevant financial institution is a member, must be always observed by such institution or body.

12. Performance Management

Measuring the effectiveness of council's treasury activities is achieved through a mixture of subjective measures. The predominant subjective measures are the overall quality of treasury management information. The Chief Financial Officer as delegated in terms of section 79 of the MFMA has the primary responsibility for determining this overall quality.

Such objective measures includes:

- Adherence to this policy
- Timely receipting of the Interest income on investment and transferring such interest into the primary bank account
- Maintaining an investment register which complies with the provisions of this policy
- Reporting on investments on all sections 71 and 122 of the MFMA.
- The CFO shall report to council on all investment portfolios, withdrawals and balances in accordance with the Investment register.
- The CFO shall submit to the provincial and national treasury on monthly income and expenditure statements on Investments in terms of section 71 of the MFMA.
- The CFO shall report on the THABAZIMBI municipality's investments in the Annual Financial Statements in terms of section 122 of the MFMA

13. Annual Review

This policy on cash management and investments shall be reviewed annually or earlier if so required by legislation. Any amendments to the policy must be adopted by council through a council resolution and must be consistent with the MFMA and National Treasury Regulations.

14. Effective Date

The effective date of this policy shall be 1 July 2026 and shall be reviewed on an annual basis to ensure that it is in line with Thabazimbi Local Municipality's strategic objectives and within the required legislative framework.