

# THABAZIMBI LOCAL MUNICIPALITY



# CASH MANAGEMENT AND INVESTMENT POLICY 2019-20

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**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.

## **1. LEGISLATIVE FRAME WORK**

- (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)

## **2. 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 maximise 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.

## **3. CASH FLOW MANAGEMENT POLICY**

### **3.1 General policy**

The municipality, from time to time, has cash flow surpluses and borrowing requirements as a result 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 receipted and accounted for and that expenditure incurred is duly authorised, recorded and accounted for.

### **3.2 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 3.3.1 and 3.3.4 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.

### **3.3 Municipal Revenue**

**3.3.1** 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 as a result of its operations or services rendered to consumers - Any other moneys as may be prescribed

### **3.3.2 Banking of collected revenues**

**3.3.2.1** 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.

**3.3.2.2** 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 receipt the transaction and issue out a pre-numbered receipt to the consumer. (The use of Debit and credit cards is permitted as Thabazimbi Local 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 receipted 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.

**3.3.2.3** All the cash receipt transactions receipted 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.

**3.3.2.4** 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.

**3.3.2.5** It is the responsibility of the Manager: Revenue to ensure that all the cash collected is duly recorded and a daily cash summary is prepared, balances and achieved properly.

#### **3.4 Municipal Expenditure**

All expenditure of Thabazimbi Local Municipality shall be incurred in terms of section 11 of the MFMA and section **3.4.1** and **3.4.2** of this policy.

- (a) 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.

### 3.4.1 Cheque Management

The following controls should be exercised for processing and safeguarding of cheques:

- (a) All official cheques shall bear the name and emblem of the municipality and the name and emblem of the bank where the municipality holds an account and shall be pre-numbered. The numerical sequence of the cheques shall be in the same order as those in the ledger on the municipality's Financial Management System.
- (b) Two signatures from designated officials shall be required for a cheque to be valid for withdrawal
- (c) All cheques shall be kept in a safe and shall be under the custody of one assigned official at the Expenditure division and shall be monitored by means of a cash register. Cheques shall be kept in a safe at all times; no cheques should be kept on a cheque printer.
- (d) All cheques shall be printed on an official electronic cheque printer located in a secure location and the machine shall be operated by one designated official in the expenditure division other than the official in custody of cheques.
- (e) The officer that prints cheques shall sign the official cheque register whenever she requires cheques for printing in the numerical sequence.
- (f) All cheques returned from the bank shall be attached to the initial supporting expenditure documents and shall be filled in the pre-numbered cheque sequence.
- (g) No cheque shall be processed and signed for payment without duly authorised supporting documentation from the Supply Chain Unit and the expenditure division.
- (h) The municipality shall, under no circumstances, issue out a blank cheque and all cheques shall bear the name of the bearer.

### 3.4.2 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 headedly. 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 in order to minimize fraud.

### **3.5 Delegation and Signatories**

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 authorise the withdrawal of money from the Thabazimbi Local Municipality's bank account through signature on a cheque or Electronic Fund Transfer. Such withdrawals shall be accompanied by official expenditure documents which are duly authorised for purposes as prescribed in section 11 (a)-(j) of the MFMA.

#### **3.5.1 Cheque Signatories**

- Accounting Officer
- Chief Financial Officer
- Manager: Expenditure

#### **3.5.2 Electronic Fund Transfer (Signatories)**

##### **A-Signatories**

- Creditors Officer
- Payroll Officer
- Expenditure Accountant

##### **B – Signatories**

- Chief Financial Officer
- Manager: Expenditure

### **3.6 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 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.

#### **4. INVESTMENT POLICY**

##### **4.1 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 prior approval of council through a council resolution.

##### **4.2 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.

### **4.3 Investment Managers**

#### **4.3.1 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 by the external investment manager on behalf of Thabazimbi Municipal council must be made within the ambit of this policy and National Treasury Regulations.

#### **4.3.2 Internal Investment Manager**

All investments made by the internal investment manager shall be in accordance with section 4.4 of this policy.

### **4.4 INTERNAL CONTROLS OVER INVESTMENTS**

#### **4.4.1 Delegations and rights**

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 the Manager: Budget & Treasury in writing. The latter does not mean that the responsibility is abdicated.

#### **4.4.2 Obtaining Investment quotations and concluding deals**

Writing mandates, signed by the CFO and the Accounting Officer, shall be issued to all investees with whom the council of TLM invests funds setting out the following:

**4.4.2.1** Authorised dealers: name and particulars of the council's officials who are authorised to transact investment dealings with investees;

**4.4.2.2** Authorised signatories: name and particulars of the council's officials who are authorised to sign written confirmations or any other correspondence in respect of investment transactions.

**4.4.2.3** A dealings sheet, signed by an authorised dealer, shall be prepared in all instances for each individual investment, detailing the quotations received and recommended investee. The Chief Financial Officer, together with the any one of the authorised signatories shall be authorised to approve such transaction.

A written confirmation of the terms of each investment shall be prepared, and signed off by the Manager: Budgeting and the CFO.

#### **4.5 Ownership**

All investments must be in 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.

#### **4.6 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

**5. DUE CARE**

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

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

**6. 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:-

- 6.1** Adherence to this policy
- 6.2** Timely receipting of the Interest income on investment and transferring such interest into the main bank account
- 6.3** Maintaining an Investment register which complies with the provisions of this policy
- 6.4** Reporting on investments on all section 71 and 122 of the MFMA

## **7. REPORTING**

- 7.1.1** The CFO shall report to council on all investment portfolios, withdrawals and balances in accordance with the Investment register.
- 7.1.2** 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
- 7.1.3** The CFO shall report on the THABAZIMBI municipality's investments in the Annual Financial Statements in terms of section 122 of the MFMA

## **8. 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.

## **9. EFFECTIVE DATE**

The effective date of this policy shall be 1 July 2016 and shall be reviewed on an annual basis to ensure that it is in line with Thabazimbi Municipality's strategic objectives and within the required legislative framework.