

Swellendam Municipality



BANKING, CASH MANAGEMENT AND INVESTMENT POLICY, 2018

APPROVED BY COUNCIL ON 30 MAY 2018

Implementation date 1 JULY 2018

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.

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. the Local Government: Municipal Finance Management Act No. 56 of 2003 (“the MFMA”) 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. It shall collect revenue when it is due and bank it promptly;
- 3.2. It shall make payments, including transfers to other levels of government and nongovernment 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. It shall avoid pre-payment for goods or services (i.e. payments in advance of the receipt of goods or services), unless required by the contractual arrangements with the supplier;
- 3.4. It shall accept discounts to effect early payment only when the payment has been included in the monthly cash flow estimates provided to the relevant treasury;
- 3.5. It shall and pursue apply its debt collection policy to ensure that amounts receivable by the municipality are collected and banked promptly;
- 3.6. It shall accurately forecast its cash flow requirements;

- 3.7. It shall synchronize the inflow and outflow of cash;
- 3.8. It shall recognize the time value of money by economically, efficiently and effectively managing cash;
- 3.9. It shall take any other action as may promote the efficient utilisation of cash resources, such as managing inventories to the minimum level necessary for efficient and effective programme delivery, and selling surplus or under-utilised assets; and
- 3.10. It shall avoid bank overdrafts.

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 or [STATE ALTERNATIVE ARRANGEMENT] to the credit of the Municipality's primary bank account.
- 4.2. The Municipality shall endeavour to 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.

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 money 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; and
 - 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.
- 5.3. When money is received by Post:
- 5.3.1. The Registry Clerk shall record all payment remittances as and when received in the cheque register in the presence of a witness;
 - 5.3.2. Post-dated cheques received in the council's mail must also be recorded in the post-dated cheque register, which shall be regarded as the register of remittances received by post;
 - 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;
 - 5.3.5. The cashier will receipt all remittances and issue official receipts to the designated official;
 - 5.3.6. 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;
 - 5.3.7. A separate register for post-dated cheques will be maintained by the Cashier and all post-dated cheques must be stored safely in the registry strong room; and
 - 5.3.8. The Cashier will ensure that all post-dated cheques, which become due, are promptly receipted and recorded in the post-dated cheque register.
- 5.4. When money is received by electronic transfer, such transfers must be immediately recorded and receipts must be issued.

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:

[ADAPT ACCORDING TO REQUIREMENTS]

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 authorise 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 authorise 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 5000-00 (Five Thousand Rand) and the invoice for the goods or service in question is received by the municipality by no later than 12 noon of the Thursday of the week in which the goods are delivered or the services rendered, the chief financial officer may in his discretion authorise 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 through the municipality's bank account(s).

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.

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 authorised 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 authorised 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.

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. they 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. Credit Ratings

Investments may be made only with institutions having minimum credit ratings as follows:

12.1. [A]

13. Permitted Investments

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

14. Approved Institutions

Subject to the provisions of paragraph 12 above and to Regulation 10 of the Investment Regulations, the Municipality may make investments with the following institutions, and no others:

14.1. [A]

15. Call Deposits and Fixed Deposits

15.1. Before making any call or fixed deposits, the chief financial officer, shall obtain quotations from at least three institutions.

15.2. 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).

15.3. 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).

15.4. 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.

16. Restriction on Term of Investments

No investment with a term exceeding twelve months shall be made without the prior approval of the executive mayor or the executive committee, as the case may be.

17. 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.

18. 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.

19. Control over Investments

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

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

- 19.2.1. Name of institution
- 19.2.2. Capital invested
- 19.2.3. Date invested
- 19.2.4. Interest rate
- 19.2.5. Maturation date
- 19.2.6. Interest received
- 19.2.7. Capital repaid; and
- 19.2.8. Balance invested.

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

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

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

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

- 19.6.1. Fixed deposit letter or investment certificate
- 19.6.2. Receipt for capital invested,
- 19.6.3. Copy of electronic transfer or cheque requisition
- 19.6.4. Excel schedule of comparative investment figures,
- 19.6.5. Commission certificate indicating no commission was paid on the investment; and
- 19.6.6. Interest rate quoted.

20. Reports

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

21. Banking Arrangements

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

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

21.3. The Municipal Manager is authorised 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.

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

21.5. 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:

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

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

21.5.3. trust funds; and

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

21.6. 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.

21.7. The selection of the Municipality's Bankers shall be carried out in accordance with the Municipality's Supply Chain Management Policy.

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.

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 Budgeting Process Policy;

23.5. The Borrowing Policy;

24. Review of Policy

This policy is to be reviewed annually.

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