

PORT ST JOHN'S MUNICIPALITY



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• MUNICIPALITY •
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CASH MANAGEMENT AND INVESTMENT POLICY

Table of Contents

1. PURPOSE OF THE POLICY3

2. DEFINITIONS3

3. LEGAL COMPLIANCE3

4. OBJECTIVE OF BANKING AND INVESTMENT POLICY4

5. EFFECTIVE CASH MANAGEMENT4

6. INVESTMENT ETHICS8

7. INVESTMENT PRINCIPLES9

8. CONTROL OVER INVESTMENTS12

9. OTHER EXTERNAL INVESTMENTS13

10. BANKING ARRANGEMENTS13

11. RAISING OF DEBT14

 INVESTMENTS FOR THE REDEMPTION OF LONG-TERM15

12. LIABILITIES15

13. INTEREST ON INVESTMENTS16

14. GENERAL INVESTMENT PRACTICE IN RESPECT OF INVESTMENTS
 16

15. AMENDMENT OF REVIEW OF THE POLICY30

16. EFFECTIVE DATE30

ANNEXURE I: SUMMARY OF REQUIREMENTS OF MUNICIPAL FINANCE ... 18

1. MANAGEMENT ACT NO 56 OF 200318

ANNEXURE II: CODE OF PRACTICE IN REGARD TO PAYMENTS,28

2. REVENUE COLLECTION AND STORES28

1. PURPOSE OF THE POLICY

The purpose of this policy is to ensure that investment of surplus funds forms part of the financial system of the municipality and to ensure that prudent investment procedures are consistently applied.

2. DEFINITIONS

“**Chief Financial Officer**” means the officer of the municipality designated by the municipal manager to be administratively in charge of the budgetary and treasury functions.

“**Councillor**” means a member of the PSJ Municipal Council.

“**Investments**” are funds not immediately required for the defraying of expenses and invested at approved financial institutions.

“**Municipal Manager**” means the person appointed in terms of section 82 of the Municipal Structures Act, 1998 (Act 117 of 1998) as the head of the PSJ’s administration;

“**Public funds**” means all monies received by the PSJ to perform the functions allocated to them.

3. LEGAL COMPLIANCE

3.1 The municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003.

3.2 A paraphrase of the provisions of this Act is attached as Annexure I to this policy.

4. OBJECTIVE OF BANKING AND INVESTMENT POLICY

- 4.1 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.
- 4.2 The council 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.
- 4.3 The investment policy of the municipality is therefore aimed at gaining the optimal return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes.
- 4.4 The effectiveness of the investment policy is dependent on the accuracy of the municipality's cash management programme, which must identify the amounts surplus to the municipality's needs, as well as the time when and period for which such revenues are surplus.

5. EFFECTIVE CASH MANAGEMENT

- 5.1 Adequate and efficient cash management is one of the main functions of the Municipal Manager. It is therefore imperative that a cash management plan be established and adhered to at all time. The Municipal Manager may delegate the management of cash and investment to the Chief Financial Officer.

5.2 Cash Collection

- 5.2.1 All monies due to the municipality must be collected as soon as possible, either on or immediately after due date, and banked daily.

Cash left in the safe can pose a security risk, could necessitate additional insurance coverage and does not earn any interest. Special deposits should be arranged for larger amounts to make sure that these are banked on the same day they are received.

5.2.2 The respective responsibilities of the chief financial officer and other heads of departments in this regard is defined in a code of financial practice approved by the municipal manager and the chief financial officer, and this code of practice is attached as Annexure II to this policy.

5.2.3 The unqualified 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.

5.3 Payments to Creditors

5.3.1 To reduce bank costs about payments, it is essential to limit the payment of creditors to one payment per creditor per month if possible.

5.3.2 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 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.

5.3.3 Notwithstanding 4.3.2, 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:

- (a) 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 affected at the end of such month.
- (b) if the invoice for the goods or services is received by the municipality 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;
- (c) 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 the chief financial officer determines that there are financial incentives for the municipality to do so.
- (d) 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 4.3.3.2, 4.3.3.3 or 4.3.3.4. Wherever possible, payments shall be effected by means of electronic transfers.
- (e) Special payments to creditors (that is to say, payments made in circumstances not contemplated elsewhere in this part) 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.

5.4 Cash Flow Estimates

- 5.4.1 Before any money can be invested, the Municipal Manager has to determine whether there will be surplus funds available. The term of investment should also be investigated to ensure that surplus cash would be invested for the period it is not required.
- 5.4.2 Prior to making investments other than for short-term investments, it is essential that cash-flow estimates be compiled monthly for at least the forthcoming twelve months.
- 5.4.3 When compiling cash-flow estimates on a monthly basis, it is essential that the Municipal Manager is aware of all expected cash-flow and when it is to take place. The timing with regard to cash outflows should be determined as far as possible by reference to both the operational and the capital budgets.

5.5 Cash Management Programme

- 5.5.1 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.
- 5.5.2 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, timeously and in the format indicated.
- 5.5.3 The chief financial officer shall report to the executive committee or the 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.

5.5.4 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. Such report shall also indicate any movements in respect of the municipality's investments, together with appropriate details of the investments concerned.

5.6 Unresolved Reconciling Items

5.6.1 Unidentified bank deposits, which have not been resolved must be accounted in line with the unallocated deposit policy.

6. INVESTMENT ETHICS

6.1 The chief financial officer shall be responsible for investing the surplus revenues of the municipality and shall manage such investments in consultation with accounting officer, the mayor or chairperson of the executive committee, as the case may be, and in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance.

6.2 In making such investments the chief financial officer, shall at all times have only the best considerations of the municipality in mind, and, except for the outcome of the consultation process with the accounting officer, mayor or chairperson of the executive committee, as the case may be, shall not accede to any influence by or interference from councillors, investment agents or institutions or any other outside parties.

6.3 Neither the chief financial officer nor accounting officer, the mayor or chairperson of the executive committee 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.

7. INVESTMENT PRINCIPLES

7.1 Limiting Exposure

Where large sums 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. 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 (that is, call, money market and fixed deposits).

7.2 Risk and Return

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.

The Municipality may not invest in shares and other investments that do not guarantee the capital and interest.

Deposits shall be made only with registered banks (see [7.4](#) below).

7.3 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.

7.4 Call Deposits and Fixed Deposits

7.4.1 Before making any call or fixed deposits, the chief financial officer, shall obtain quotations from at least three institutions which are registered as banks.

7.4.2 Given the volatility of the money market, the chief financial officer, shall, whenever necessary, request quotations telephonically, followed by a written confirmation from the bank, 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).

7.4.3 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).

7.4.4 Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of part 8 below) shall be paid over only to such institution itself and not to any agent or third party.

7.4.5 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.

7.5 Restriction on Tenure of Investments

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

7.6 Credit Worthiness

7.6.1 Council must obtain independent credit ratings to evaluate the credit worthiness of financial institutions referred to in paragraphs 6.1.1 and 6.1.7 at least annually. Investments may only be placed with institutions that have the following rating criteria:

A1 (short-term): R20 000 000 per financial institution

A2 (short-term): R 1 000 000 per financial institution

7.7 Limited Exposure to a Single Institution

7.7.1 Council may not invest more than 35% of its investments at any time with one banking institution in order to limit the risk exposure of the Municipality.

7.7.2 Monies retained in a current banking account or placed on call for less than 33 days with the financial institution where the current banking account is held, shall not be regarded as an investment for the purpose of this paragraph.

7.8 Investment Committee

7.8.1 The Investment Committee consists of the following officials who will be responsible for final decision making relating to the investment of funds:

- (a) Municipal Manager - Chairperson
- (b) Director: Finance & Corporate Services - Deputy Chairperson
- (c) Manager: Finance
- (d) Senior Accountant: Income & Expenditure
- (e) Senior Accountant: Financial Accounting, Asset and Risk Management
- (f) Other Departmental Heads

7.8.2 Four of the aforementioned officials form a quorum and at least the chairperson or the deputy chairperson must be present at the meeting. The committee has the delegated authority to make final decisions relating to the investment of funds within the framework of applicable legislation, regulations and council's investment policy.

8. CONTROL OVER INVESTMENTS

- 8.1 The chief financial officer shall ensure that proper records are kept of all investments made by the municipality. Such records shall indicate the date on which the investment is made, the institution with which the monies are invested, the amount of the investment, the interest rate applicable, and the maturity date. If the investment is liquidated at a date other than the maturity date, such date shall be indicated.
- 8.2 The chief financial officer shall ensure that all interest and capital properly due to the municipality are timeously received and shall take appropriate steps or cause such appropriate steps to be taken if interest or capital is not fully or timeously received.
- 8.3 The chief financial officer shall ensure that all investment documents and certificates are properly secured in a fireproof safe with segregated control over the access to such safe or are otherwise lodged for safekeeping with the municipality's bankers or attorneys.

9. OTHER EXTERNAL INVESTMENTS

- 9.1 From time to time it may be in the best interests of the municipality to make long-term investments in secure stock issued by the national government, Eskom, other reputable parastatal, or 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.
- 9.2 No investment with a tenure exceeding twelve months shall be made without the prior approval of the executive mayor or executive committee, as the case may be, 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.

10. BANKING ARRANGEMENTS

- 10.1 The municipal manager is responsible for the management of the municipality's bank accounts but may delegate this function to the chief financial officer.
- 10.2 The municipal manager and chief financial officer and other finance staff as delegated are authorised at all times to authorise Electronic Funds Transfers (EFT's) and any other documentation associated with the management of such accounts. 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 mayor, as the case may be, on a monthly basis, as part of the report dealing with the municipality's investments.
- 10.3 All EFT's and such other documentation shall be effected by two authorized signatories, one of whom shall be the chief financial officer or one of the additional signatories referred to in 10.1, and the other of whom shall be the municipal manager; provided that, during periods of absence of the municipal

manager, the municipal manager may authorize another such additional signatory to sign/authorise, in his stead, such EFT's and documents.

10.4 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: the administration of the external finance fund and of the asset financing reserve (if these accounts are legally permissible). One or more separate accounts shall also be maintained for the following: capital receipts in the form of grants, donations or contributions from whatever source; the municipality's self-insurance reserve (if legally permissible). 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. Unless there are compelling reasons to do otherwise, and the council expressly so directs, all 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.

10.5 The municipal manager shall invite tenders for the placing of the municipality's bank accounts 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 executive mayor or the executive committee, as the case may be, agrees to the invitation of such tenders.

11. RAISING OF DEBT

11.1 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 Municipal Finance Management Act 2003, and only with the prior approval of the council.

- 11.2 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.
- 11.3 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.

12. INVESTMENTS FOR THE REDEMPTION OF LONG TERM.....LIABILITIES

- 12.1 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.
- 12.2 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.

13. INTEREST ON INVESTMENTS

- 13.1 The interest accrued on the municipality's investments shall, in compliance with the requirements of Generally Recognised Accounting Practices, 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 as interest earned on external investments.
- 13.2 The interest earned on invested conditional grant funding shall be recognised as own revenue in terms of Generally Recognised Accounting Practices.

14. GENERAL INVESTMENT PRACTICE IN RESPECT OF INVESTMENTS

- 14.1 Quotations for call deposits greater than 7 days, fixed deposits or any other investment with a financial institution referred to in paragraphs [7.4.1](#) and [7.6.1](#) above should be requested telephonically for a period within the limitations of the anticipated term of the investment.
- 14.2 Quotations must be solicited from a minimum of three financial institutions referred to in paragraphs [7.4.1](#) and [7.6.1](#) above, bearing in mind the limits of the term for which it is intended to invest the funds.
- 14.3 All telephonic quotations must be recorded on a schedule and the accepted quotation confirmed in writing before the actual investment is made. This same procedure must be followed before any re-investment is made with the same financial institution.
- 14.4 The person responsible for requesting quotations from institutions should record the name of institution, the name of the person who gave the telephonic quotation and the relevant terms and rates and other facts such as whether the interest is payable on a monthly basis or on a maturity date. Written confirmation of the telephonic quotation accepted is essential.

Commented [C1]: Not sure to which paragraphs these are referring to

Commented [C2]: Not sure to which paragraphs these are referring to

14.5 Where an investment is made at an institution at a rate lower than that of other quotations, reasons must be recorded by the Municipal Manager and reported to Council as part of the quarterly report by the Municipal Manager.

15.

ANNEXURE I: SUMMARY OF REQUIREMENTS OF MUNICIPAL FINANCE

1. 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 assumes that such authority has been delegated to the chief financial office

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:

- ❖ otherwise, than in the name of the municipality;
- ❖ abroad, or
- ❖ 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:

- ❖ all allocations to the municipality.
- ❖ all income received by the municipality on its investments.
- ❖ all income received by the municipality in connection with its interest in any municipal entity.
- ❖ all money collected by a municipal entity or other external mechanism on behalf of the municipality, and.
- ❖ 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 the entire 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:

- ❖ Defray expenditure appropriated in terms of an approved budget.
- ❖ 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).

- ❖ Defray unforeseeable and unavoidable expenditure authorised in terms of Section 29(1).
- ❖ In the case of a bank account opened in terms of Section 12, make payments from the account in accordance with Section 12(4).
- ❖ 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.
- ❖ Refund money incorrectly paid into a bank account;
- ❖ Refund guarantees, sureties and security deposits;
- ❖ Make investments for cash management purposes in accordance with Section 13;
- ❖ Defray increased expenditure in terms of Section 31; or
- ❖ For such other purposes as may be prescribed.

(Note that Section 11(1) does not expressly provide for the withdrawal of monies to pay creditors, where the relevant obligations arose in terms of the previous budget; to repay loans; or to repay consumer deposits).

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 22 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.

SECTION 17: CONTENTS OF ANNUAL BUDGETS AND SUPPORTING DOCUMENTS

The following documents must accompany each tabled draft annual budget (inter alia):

- ❖ A projection of cash flows for the budget year by revenue source, divided into calendar months.
- ❖ Particulars of the municipality's investments.

SECTION 22: PUBLICATION OF ANNUAL BUDGETS

The accounting officer must make public, immediately after a draft annual budget is tabled, the budget itself and all the prescribed supporting documents, and invite comments from the local community in connexion with such budget (and documents).

SECTION 36: NATIONAL AND PROVINCIAL ALLOCATIONS TO MUNICIPALITIES

In order to provide predictability and certainty about the sources and levels of intergovernmental funding for municipalities, the accounting officer of a national or provincial department and the accounting authority of a national or provincial public entity responsible for the transfer of any proposed allocations to a municipality, must by no later than 20 January of each year notify the national treasury or the relevant provincial treasury as may be appropriate, of all proposed allocations and the projected amounts of those allocations to be transferred to each municipality during each of the next 3 financial years.

The Minister or the MEC responsible for finance in the province must, when tabling the national annual budget in the national assembly or the provincial annual budget in the provincial legislature, make public particulars of any allocations due to each municipality in terms of that budget, including the amount to be transferred to the municipality during each of the next 3 financial years.

SECTION 37: PROMOTION OF CO-OPERATIVE GOVERNMENT BY MUNICIPALITIES

In order to enable municipalities to include allocations from other municipalities in their budgets and to plan effectively for the spending of such allocations, the accounting officer of every municipality responsible for the transfer of any allocation to another

municipality, must, by no later than 120 days before the start of its budget year, notify the receiving municipality of the projected amount of any allocation proposed to be transferred to that municipality during each of the next 3 financial years.

SECTION 45: SHORT-TERM DEBT

The municipality may incur short-term debt only in accordance with and subject to the provisions of the present Act, and only when necessary to bridge shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic income to be received within that financial year; or to bridge capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.

The council may approve a short-term debt transaction individually, or may approve an agreement with a lender for a short-term credit facility to be accessed as and when required, including a line of credit or bank overdraft facility, provided that the credit limit must be specified in the resolution of the council; the terms of the agreement, including the credit limit, may be changed only by a resolution of the council; and if the council

approves a credit facility limited to emergency use, the accounting officer must notify the council in writing as soon as practicable of the amount, duration and cost of any debt incurred in terms of such a credit facility, as well as the options available for repaying such debt.

The municipality must pay off short-term debt within the financial year in which it was incurred, and may not renew or refinance short-term debt, whether its own debt or that of any municipal entity, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.

SECTION 46: LONG-TERM DEBT

A municipality may incur long-term debt only in accordance with and subject to any applicable provisions of the present Act, and only for the purpose of capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in Section 152 of the Constitution; or refinancing existing long-term debt subject to the requirements of Section 46(5).

SECTION 47: CONDITIONS APPLYING TO BOTH SHORT-TERM AND LONGTERM DEBT

The municipality may incur debt only if the debt is denominated in rand and is not indexed to, or affected by, fluctuations in the value of the rand against any foreign currency.

SECTION 64: REVENUE MANAGEMENT (EXCERPTS)

The accounting officer of the municipality is responsible for the management of the revenue of the municipality.

The accounting officer, must, among other things, take all reasonable steps to ensure that all money received is promptly deposited in accordance with the requirements of the present Act into the municipality's primary and other bank accounts.

The accounting officer must also ensure that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled on at least a weekly basis.

The accounting officer must take all reasonable steps to ensure that any funds collected

by the municipality on behalf of another organ of state are transferred to that organ of state at least on a weekly basis, and that such funds are not used for purposes of the municipality.

SECTION 65: EXPENDITURE MANAGEMENT (EXCERPTS)

The accounting officer of the municipality is responsible for the management of the expenditure of the municipality.

The accounting officer must take all reasonable steps to ensure, among other things, that payments made by the municipality are made direct to the person to whom they are due, unless agreed otherwise for reasons as may be prescribed, and either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit.

The accounting officer must also ensure that all money owing by the municipality is paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

The accounting officer must further ensure that the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework.

ANNEXURE II: CODE OF PRACTICE IN REGARD TO PAYMENTS,

2. REVENUE COLLECTION AND STORES

1. STORES ADMINISTRATION

The chief financial officer shall be responsible for the proper administration of all stores. 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. No sub-store may be established without the prior written consent of the chief financial officer.

2. CONTRACTS MANAGEMENT

3. Within such general buying and related procedures as the chief financial officer shall from time to time determine, and further within the confines of any relevant legislation and of such rules and procedures as may be determined by the executive mayor or executive committee, as the case may be:

- ❖ 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
- ❖ 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 in accordance with the provisions of Section 3 below. 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.

4. PAYMENTS

3.1 All payments, other than petty cash disbursements, shall be made through the municipality's bank account(s).

3.2 The chief financial officer shall effect all EFT transfers on this account, and shall, in

consultation with the municipal manager and with due regard to the council's policy on banking and investments, determine the rules and procedures relating to the EFT transfers, and from time to time jointly with the municipal manager decide on appropriate signatories.

3.3 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.

3.4 The maximum amount and nature of petty disbursements, where not covered by the general buying procedures referred to in Section 2, 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.

3.5 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.

5. REVENUE AND CASH COLLECTION

4.1 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.

4.2 The chief financial officer shall ensure that all revenues are properly accounted for.

4.3 The collection of all arrear revenues and the control of arrear accounts shall be coordinated by the chief financial officer in terms of any policies determined by the council. If it is clear that any revenues are not recovered or likely to be recovered after the necessary steps have been taken, the chief financial officer

shall report the matter adequately and timeously to the finance and executive committees.

4.4 The chief financial officer shall ensure that adequate provision is maintained to cover the writing off of irrecoverable revenues, having due regard to the council's policy on rates and tariffs.

6. BANKING OF RECEIPTS

5.1 Guidelines and procedures for the banking of cheques and other receipts shall, if necessary, be determined from time to time by the chief financial officer.

5.2 Where applicable, every head of department shall ensure that all revenues are banked daily with the municipality's banker(s), or less frequently if so approved by the chief financial officer.

1. AMENDMENT OF REVIEW OF THE POLICY

15.1 The banking and investment policy shall be reviewed annually.

2. EFFECTIVE DATE

16.1 The municipal manager shall be responsible for the implementation and administration of this policy.

16.2 This policy, once adopted by Council, shall come into effect on.....

ADOPTION OF THE POLICY

Policy adopted by Council of Port St Johns Local Municipality for implementation.

Approved by: Council On _____
Date

Resolution No. _____

Confirmed by the Honourable Speaker _____

Signature

Cllr C.S Mazuza
Honourable Speaker