**CASH AND INVESTMENT POLICY, FOR JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY**

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**Mr. D. Molaole**

**Municipal Manager** .....

**Ms. P. Mogatle**

**Speaker** .....

***RE-AFFIRMED***

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## 1. INTRODUCTION

In terms of Section 13(2) of the Local Government: Municipal Finance Management Act, 2003 (Act No.56 of 2003)"(The Act)", the municipality must establish an appropriate and effective cash management and investment policy. The policy must comply with any prescribed framework, which framework was issued by the Minister of Finance by means of Regulation R 308 of 1 April 2005 as gazetted in the Government Gazette No 27431 of 1 April 2005.

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.

## 2. SCOPE

In order to ensure sound and sustainable management of the cash resources of the municipality this policy addresses all principles and processes involved in cash management and investments and includes:

The objectives of the policy;
Standard of care;
Delegation of authority;
Management and internal control procedures;
Cash flow budgeting;
Receipting and banking of cash;
Payments;
Short and long term debt and debt restructuring;
Investment ethics, principles and practices;
Reporting and monitoring requirements;
Performance standards and measurement;
Review of the policy.

## 3. OBJECTIVES

The objectives of the policy are to ensure optimal performance with the least possible risk, in managing and investing the cash resources of the municipality and to ensure transparency, accountability and appropriate lines of responsibility in the process.

## 4. STANDARD OF CARE

Each functionary in the cash management and investment process must do so with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of his or her own affairs and with his or her primary regard being to the probable safety of his or her own capital, in the second instance to his or her liquidity needs and lastly to the probable income derived.

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Speculation may not be undertaken in any of the processes.

## 5. DELEGATION OF AUTHORITY

The management of all the cash resources of the municipality is the responsibility of the Municipal Manager who must, for the proper application of this policy, develop an appropriate system of delegation that will both maximise administrative and operational efficiency and provide adequate checks and balances in the management of the cash resources.

The Chief Financial Officer, as designated in writing by the Municipal Manager, must advise the Municipal Manager on the exercise of the powers and duties with regards to this policy and must assist the Municipal Manager in the administration of the cash resources, the bank accounts and the investment accounts. The Chief Financial Officer may not sub — delegate the duty to assist the Municipal Manager in the administration of the municipality's bank and investment accounts.

The delegation to withdraw money from the municipality's bank or investment accounts may only be given to the Chief Financial Officer or any other senior financial officer as determined, in writing, by the Municipal Manager and of which a copy, signed by the Municipal Manager, must be kept with the official set of delegations of the municipality.

The Municipal Manager may not delegate any power or duty in the administration of the municipality's cash resources to a political structure or councilor and no councilor is allowed to interfere or attempts to interfere in the management of the municipality's cash resources.

Any delegation by the Municipal Manager in terms of this policy:

Must be in writing

Is subject to any limitations and conditions as the Municipal Manager may impose

May either be to a specific individual or to the holder of a specific post in the municipality and may not be to a committee of officials

Does not divest the Municipal Manager of the responsibility concerning the exercise of the delegated power or the performance of the delegated duty.

The Municipal Manager may confirm, vary or revoke any decisions taken in consequence of a delegation or sub — delegation in terms of this policy, but no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision.

For the application of this policy any referral to "Municipal Manager" also means "Any other person acting under a delegated power or performs a function delegated by the Municipal Manager" in terms of paragraph 5.

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## 6. MANAGEMENT AND INTERNAL CONTROL PROCEDURES

The Municipal Manager, assisted by the Chief Financial Officer, must take all reasonable steps to ensure:

That the municipality has and maintains a management, accounting and information system that accounts for all bank and investment accounts, receipting, withdrawals, cash management and investment transactions

That, in the case of investments, such investments are valued in accordance with standards of generally recognised accounting practices

That, in the case of investments, revenue due is calculated on a monthly basis

That the municipality has and maintains a system of internal control over its bank and investment accounts, receipting, withdrawals, cash management and investment transactions

The Internal Audit unit must advise the Municipal Manager and evaluate and report on compliance with the above, at least on an annual basis.

## 7. CASH MANAGEMENT

### 7.1. BANK ACCOUNT ADMINISTRATION

The Municipal Manager is responsible for the administration of the municipality's bank accounts including the opening of the bank accounts, the designation of the primary bank account and all banking and withdrawal procedures. The bank account may only be managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Chapter 3 of the Act as well as section 64 of the Act.

The Municipal Manager may delegate the duties of the administration of the bank accounts as per paragraph 5 of this policy.

### 7.2. RECEIPTING MANAGEMENT

The Municipal Manager is responsible for the administration of all receipting procedures and must take all reasonable steps to ensure receipting is being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Section 64 of the Act.

The Municipal Manager may delegate the duties of receipting as per paragraph 5 of this policy.

### 7.3. EXPENDITURE MANAGEMENT

The Municipal Manager is responsible for the administration of all expenditure procedures and must take all reasonable steps to ensure expenditure is being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Section 65 of the Act.

The Municipal Manager may delegate the duties of expenditure as per paragraph 5 of this policy.

## 7.4. WITHDRAWALS

The Municipal Manager is responsible for the administration of all withdrawals procedures and must take all reasonable steps to ensure withdrawals are being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Section 11 of the Act.

The Municipal Manager may delegate the duties of withdrawals as per paragraph 5 of this policy.

## 7.5. DEBT

In order to ensure adequate cash — flow the municipality may incur short-term debt for operational or capital expenditure — or long term debt for only capital expenditure, provided that the Council approves all debt agreements, the Mayor must sign the resolutions approving the debt agreements and the Municipal Manager signed the debt agreements.

The municipality is, in terms of Section 46(5) of the Local Government: Municipal Finance Management Act, 2003, allowed refinancing its long — term debt for the purpose of saving on the cost of debt. The Municipal Manager must, for this purpose, at least annually and as part of the budget process evaluate and report to the Council on the cost of existing debt and whether re-financing such debt will be beneficial to the municipality. As part of the evaluation the Municipal Manager must determine the types of repayments and whether bullet payments at the end of the debt period and the reasonably determined nett cost thereof will not be more beneficial to the Council if the repayments are invested in sinking funds and the reasonable projected yield on the investments are being brought into account.

The Municipal Manager is responsible for the administration of all debt procedures and must take all reasonable steps to ensure debt is being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Chapter 6 of the Act.

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The Municipal Manager may delegate the duties of debt management as per paragraph 5 of this policy.

## 7.6. CASH FLOW BUDGET

In order to ensure that the municipality has sufficient cash available to comply with the municipality's commitments to its lenders, creditors, statutory payments and any other commitments, it is necessary to annually compile and submit to Council, as part of the budget documentation, a cash-flow projection for the budget year by revenue-source, broken down per month.

## 7.7. WORKING CAPITAL MANAGEMENT

The Municipal Manager must take all reasonable steps to ensure that the municipality obtains maximum performance on its assets and for this purpose the working capital of the municipality must as far as possible be managed to the maximum benefit of the municipality.

An acceptable level for the Working Capital Reserve is 2:1 or better and the Municipal Manager must take all reasonable steps to ensure that the level is being maintained. In calculating the level, outstanding debtors for a period longer than 90 days as well as any unutilised conditional grants and allocations must be deducted from the current assets and liabilities and inventories must be brought into account at the lower of cost and nett realisable value. The exercise to provide for a sufficient level of working capital must be done as part of the budget process in order to budget accordingly.

In order to achieve the objectives of Working Capital Management inventory levels for own use must be kept as low as possible, creditors must be paid within 30 days of date of receipt of invoice or statement, whichever is the latest or applicable but as late as possible but with due regards to possible discounts on offer and all steps, consistent with the Council's Credit Control and Debt Collection Policy, must be taken to recover moneys due to the municipality.

The Municipal Manager must, as part of the monthly reporting to the Mayor within 10 working days of the end of each month, report on:

- The combined nett balance of the bank and investment accounts of the municipality excluding any balances of unutilised conditional grants, trust moneys kept in accordance with trust deeds, Sinking Fund Investments made in accordance with any loan- or other agreements with investors/lenders, other conditional funds for which moneys were received in accordance with Section 12 of the Act, Debt Guarantee Reserve Funds and other cash- backed funds for which spending authority must be obtained from other persons or spheres of government.

Whether the above nett balance is sufficient to make a payment of at least 2% of the operating budget of the municipality.

Whether all commitments and accounts had and can be paid on time from the nett balance above and nett realisable accounts receivable.

Whether there is a nett outflow of cash not in accordance with the cash-flow budget.

Whether all of the above might cause a financial problem on which the Mayor must act in accordance with the provisions of the Act.

The Mayor must, within 30 days of the end of each quarter, report to the municipal council on the above, and, in the case of identifying a financial problem, promptly inform the council and act in accordance with the provisions of the Act.

The Municipal Manager may delegate the duties of working capital management as per paragraph 5 of this policy.

## 8. INVESTMENTS

### 8.1. INVESTMENT MANAGEMENT

The Municipal Manager is responsible for the administration of all investment procedures and must take all reasonable steps to ensure investments are being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Section 13 of the Act.

The Municipal Manager may delegate the duties of investments as per paragraph 5 of this policy.

### 8.2. INVESTMENT ETHICS

All functionaries in the investment management process must act with fidelity, honesty, integrity and in the best interest of the municipality and must seek, within

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the spheres of influence of the functionaries, to prevent any prejudice to the investments of the municipality.

No functionaries in the investment management process may use their position or privileges of, or confidential information obtained as, functionary in the process for personal gain or to improperly benefit another person.

No person contracted by the municipality for the purpose of investments or no person submitting quotes, bids or any other means of competitive submissions may, either directly or through a representative or intermediary promise, offer or grant any reward, gift, sponsorships, loan, bursary, favour or hospitality to —

Any official, spouse or close family member of such official or spouse;

Any councilor, spouse or close family member of such councilor or spouse.

The Municipal Manager must promptly report to the Mayor and National Treasury's any alleged contravention of the above and may make recommendations as to whether the alleged offending party should be listed on the National Treasury database of persons prohibited from doing business with the public sector. Any such report by the Municipal Manager must give full details of the alleged breach and a written response from the alleged offending party, as well as proof that the alleged offending party received the allegations in writing and were given at least 7 (seven) working days to respond, in writing, to the allegations.

Any sponsorship promised, offered or granted to the municipality must promptly be disclosed to the National Treasury.

## 8.3. INVESTMENT OBJECTIVES

### 8.3.1. SECURITY

The first and foremost objective for investments is the preservation and safety of the principal amount invested. It is a requirement of this municipality that investments may only be made with institutions with a credit — worthy rating of A 1 and better. Any investments made must be liquidated immediately if an institution's credit — worthy rating falls below the level of Al.

### 8.3.2. LIQUIDITY

The cash — flow budget must be used as an instrument in determining liquidity needs. Other factors such as the payment runs for creditors,

dates for salary and statutory payments and dates for debt repayments must also be brought into account to ensure cash requirements, and resultant investment periods, are being calculated to such an extent that maximum yield on surplus cash can be obtained.

### 8.3.3. YIELD

It is necessary to ensure optimal yield on the municipality's investments, but a higher yield should never increase the risk of preservation and safety of the principal amount invested or not meeting cash — flow requirements. Where an institution has a sudden increase above the average market increase in investment returns, the Municipal Manager must determine whether the institution is in liquidity or financial problems, and in such an instance liquidate the investments with such an institution as soon as possible.

## 8.4. TYPES OF INVESTMENT ACCOUNTS

The following cash — backed investment accounts should be established:

General surplus cash
Asset financing reserve fund
Accumulated leave fund
Trust funds where a trust- deed exist
"Allocation "funds as described in Section 1 of the Local Government: Municipal Finance Management Act, 2003, but excludes the equitable share
Sinking funds, if applicable
Debt guarantee reserve fund, if applicable
Post retirement benefits funds
Self — insurance reserve
Housing development funds

Where a Trust Deed prescribes how the trust money is to be invested, the prescriptions in the Trust Deed will prevail over this policy.

It is a general principle, the higher the investment the better the yield, and for this purpose the Municipal Manager should combine as much cash allocated to the above funds as possible, and invest it together. Yield should then be allocated according to the capital of the individual cash — backed funds, through the Statement of Financial Performance.

## 8.5. APPROVED INVESTMENTS

Investments should be structured according to the best yield available and the liquidity needs of the municipality. This can include Call Deposits, Fixed Term Deposits and Endowment Policies for the purpose of Sinking Funds only. Sinking

funds must be created for the purpose of bullet — payment loans and to provide for future commitments such as building enough cash to be able to cover post — retirement benefits in full.

## 8.6. QUALIFIED INSTITUTIONS

It is of utmost importance that the investments only be placed with credit — worthy institutions approved by with a credit — rating of A 1 and better.

The following investments are permitted:

Securities issued by National Government
Listed corporate bonds with an investment grade rating from a nationally or an internationally recognised credit rating agency
Deposits with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990)
Deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act 45 of 1984)
Deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act 46 of 1984)
Banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990 (Act 94 of 1990)
Guaranteed endowment policies with the intention of establishing a sinking fund
Repurchase agreements with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990)
Municipal Bonds issued by the municipality
Any other as might be approved by the Minister of Finance

## 8.7. INVESTMENT DIVERSIFICATION

Without limiting the Municipal Manager to any specific amount or percentage of investments, it is hereby established that investments made by the municipality should be diversified as much as possible between different institutions, maturity dates and types, but nothing prevents the Municipal Manager from investing more cash with an institution than by another institution with due regards to the standard of care and objectives set in this policy.

The Municipal Manager may delegate the duties of investment diversification as per paragraph 5 of this policy.

## 8.8. COMPETITIVE SELECTION OF BIDS OR OFFERS

In establishing where investments must be made, at least 2 (two) written quotations must be obtained by the Municipal Manager from any of the institutions listed in paragraph 8.6 above. The Municipal Manager may not divulge interest rates to other institutions during the quotation process. If Investments Managers use

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treasury desks for the purpose of obtaining quotations, the quotations, with a written reason why a specific institution was chosen if the yield is lower than that of another institution, must be forwarded to the Municipal Manager, who must evaluate the reasons and issue such instructions as deemed necessary.

The Municipal Manager may delegate the duties of competitive selection of bids or offers as per paragraph 5 of this policy.

## 8.9. COMMISIONS OR COSTS

No commission for investments made or referred is payable to an official or councilor, or spouse, business partner or close family member of an official or councilor by an institution or investment manager.

Any commissions, other rewards or costs paid to an investment manager by an institution must be declared to the municipality by the institution and Investment Manager by way of certificates. Any quotation given to the municipality by an institution or Investment Manager must be net of costs, rewards or commissions, but must also indicate the commissions, rewards or costs which will be paid in respect of the investments.

## 8.10. PERFORMANCE

The Municipal Manager must annually measure and report to the Council on the performance of it's:

Investments in terms of the stipulated objectives of this policy
Investment Managers in terms of the stipulated objectives of this policy

The measurement must be done by way of taking into consideration the performance of surrounding municipalities on its investments.

## 8.11. FORBIDDEN ACTIVITIES

No investments may be made other than in the name of the municipality
Money may not be borrowed for the purpose of investments
No person, including officials and councilors, may interfere or attempts to interfere in the management of investments entrusted to the Municipal Manager or persons delegated by the Municipal Manager including with the Investment Managers.
No investments may be made other than be denominated in Rand and which is not indexed to, or affected by, any fluctuations in the value of the Rand against any foreign currency.

## 8.12. REPORTING

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The Municipal Manager must, in addition to the reporting in paragraph 7.7 above, within 10 working days of the end of each month submit to the Mayor a report describing in detail the investment portfolio of the municipality as at the end of the month.

The report referred to above must contain at least a statement, prepared in compliance with generally accepted municipal accounting principles, as amended from time to time, that gives the

Beginning market value of each investment for the month
Additions and changes to the investment portfolio for the month
Ending market value of each investment for the month
Fully accrued interest/yield for the month including interest/yield capitilised or paid out

The Municipal Manager, in making investments, must remind the relevant institutions of the institutions' legal reporting responsibilities in terms of Section 13 (3) and 13 (4) of the Local Government: Municipal Finance Management Act, 2003 and must get a certificate from the institutions that the institutions will comply with the Act. A single certificate per institution for any current and future investments may be obtained and must be kept on the municipality's investment file.

The Municipal Manager may delegate the duties of reporting as per paragraph 5 of this policy.

## 9. REVIEW OF THE POLICY

This Cash Management and Investment Policy is the sole policy governing cash management and investments in the municipality. Any reviews to this policy must be approved by the Municipal Council.

The Mayor must submit any proposed changes to this policy to the Council as part of the annual review of policies submitted with the budget documentation.

Whenever the Minister of Finance or the National Treasury or the Auditor-General requires changes to the policy by means of legislation or requests it should be reviewed promptly in accordance with such requirements, giving full details of the reasons for the revision.

## ANNEXURE A: PARAPHRASE OF REQUIREMENTS OF MUNICIPAL FINANCE 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 is based on the assumption that such authority has been delegated to the chief financial

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officer. The chief financial officer shall at all times manage the investments 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.

## 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

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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 all the 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

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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-General, in writing, of that investment, including the opening and closing balances of that investment in that financial

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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 connection with such budget (and documents).

## 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

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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 LONG-TERM 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.

Ms P Q Mogatle

Speaker

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 B: CODE OF PRACTICE IN REGARD TO PAYMENTS, REVENUE COLLECTION AND STORES

1 Payments

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

1.2 The chief financial officer shall draw all cheques 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 signing of cheques, and from time to time jointly with the municipal manager decide on appropriate signatories.

Ms P Q Mogatle

Speaker

1.3 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.

1.4 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.

1.5 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.

1.6 Cash payments/wages of non-permanent employees shall be paid out by a security firm registered with the appropriate regulatory body/s and to whom services is acquired though the Supply Chain Management of the Municipality. A proper agreement shall be entered into to regulate the services provided.

## 2. Revenue and Cash Collection

2.1 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.

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

2.3 The collection of all arrear revenues and the control of arrear accounts shall be co-ordinated 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 accounting officer and council.

2.4 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.

## 3. Banking of Receipts

3.1 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.

Ms P Q Mogatle

Speaker

3.2 Banking of receipts shall be handled by a security firm registered with the appropriate regulatory body/s and from whom services is acquired through the Supply Chain Management. A proper agreement shall be entered into to regulate the services provided.

4 Cash Management

4.1 Cash Collection

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.

The unremitting 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.

4.2 Payments to Creditors

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 the chief financial officer shall approve any such departure before any payment is made. (Delegated by Accounting Officer to CFO.)

In the case of small, micro and medium enterprises, where such a policy may cause financial hardship to the contractor, payment may be effected at the conclusion of the month during which the service is rendered or within fourteen days of the date of such service being rendered, whichever is the later. The chief financial officer shall approve any such early payment before any payment is made. (Delegated by Accounting Officer to CFO.)

Ms P.Q Mogatle

Speaker

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. (Delegated by Accounting Officer to CFO.)

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. Wherever possible, payments shall be effected by means of electronic transfers rather than by cheques. (Delegated by Accounting Officer to CFO.)

Special payments to creditors shall only be made with the express approval of the chief financial officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end processing. (Delegated by Accounting Officer to CFO.)

Ms P Q Mogatle

Speaker