



CASH MANAGEMENT AND INVESTMENT POLICY

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APPENDIX A

PREAMBLE

Whereas section 13 of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003) determines that a municipality must introduce an appropriate, prudent and effective cash management and investment arrangement;

and whereas a bank, in accordance with the provisions of section 13 of the Act, has to disclose details regarding a municipalities' investments;

and whereas councillors and officials, as trustees of public funds have an obligation to ensure that cash resources are managed as effectively, efficiently and economically as possible;

now therefore the Witzenberg Municipality adopt the cash and investment management policy set out in this document.

1. DEFINITIONS

"Act" means the local government Municipal Finance Management Act, 2003 (Act no. 56 of 2003)

"Council" means the Municipal Council of Witzenberg Municipality

"Gazette" means the Government Gazette

"Investee" means an institution or counterparty with which an investment is placed, or its agent.

"Investment" means an amount of funds deposited in deposit taking institutions registered in terms of the Bank's Act, 1990 (Act 94 of 1990) on which interest is earned or received.

"Internal investment manager" means the official appointed or acting as the Manager: Financial administration of Witzenberg Municipality.

2. LEGAL FRAMEWORK

- a) Legislation – local government: Municipal Finance Management Act 56 of 2003 (As amended)
- b) Treasury regulations in terms of Section 13(1) of the Act (As amended).

3. OBJECTIVES

- a) To maximize returns from authorized investments, consistent with the secondary objective of minimizing risk
- b) To ensure compliance with all legislation governing the investment of funds.
- c) To maintain adequate liquidity to meet cash flow needs
- d) To undertake the investment of funds not immediately required for operational purposes in a prudent financial manner.
- e) To ensure diversification of permitted investment.
- f) To ensure complaints with regard to revenue management as contemplated in Sect 64(d), 64(f) and 64(h) of the Act
- g) To ensure complaints with regard to Sect 10 and 11 of the Act

4. CASH MANAGEMENT POLICY

4.1. General Policy

It is recognised that from time to time, Council has cash flow surpluses and borrowing requirements due to daily receipts and payments. Council maintains a daily cash position summary and a yearly cash flow projection is prepared during the annual planning process and is updated monthly. This determines Council's borrowing requirements and surpluses for investment. Cash invested "outside" the bank account is covered by section 4 of this policy.

4.2. Bank Accounts

Council operates one primary bank account for its day to day operational activity requirements. All monies due to Council and due by Council emanating from Council activities must pass through this primary account.

4.2.1 Cheque Management

Cheques are printed in batch format. To prevent the removing of cheques, cheques are delivered in sealed boxes where strict control is exercised over the numerical sequence of cheques on the expenditure system by means of a cheque register.

4.2.2 Delegation/Rights

The incumbents of the following post are authorized to sign cheques on behalf of Council

4.2.3 Cheques

- A-Signatories: Director: Financial Services/Chief Financial Officer
Manager: Financial Administration
Manager Income
Manager: Supply Chain
- B-Signatories: Accountant Assets & Budgets
Accountant Credit Control
Accountant Debtors
Accountant Expenditure

Each payment needs to be signed by at least two A-signatories, or one A-signatory and one B signatory.

4.2.4 Electronic Funds Transfer (EFT)

Authorisation same as cheques above

4.3 Bank Overdraft

- 4.3.1 Barring the fact that Council has an approved overdraft facility with its primary banker for possible unanticipated short-term cash flow shortfall, its general policy is to avoid going into overdraft.

Short-term debt is incurred based on expected income and must be repaid within the same financial year. (Section 45 of the MFMA)

- 4.3.2 Council set the credit limit for the bank overdraft facility at R6, 000, 000 (six million rand).
- 4.3.3 The terms of the agreement for the bank overdraft facility, including the credit limit, may be changed only by a resolution of council.
- 4.3.4 Any overdrawn bank account at any date must be reported without avail to Council supported by reasons therefore.
- 4.3.5 Any short term facility that requires review must first be approved by the Accounting Officer.

4.4 Cash collection

4.4.1 Controlled, secured and prompt cash collection

- a) All cashier banking batches and or shifts must be closed at least on a daily basis;
- b) Each cashier banking batch must be closed and deposit in the primary bank account separately;
- c) All forms, categories or types of money received must be quoted in the form or type received, for example cheques as cheques and cash as cash;
- d) A cashier must count the money he/she received, record the outcome on the cash-up sheet per category, then report to the senior responsible for the closing of the banking batches;
- e) No cashier may have access to the closing bank batch facility of the financial system;
- f) The senior verifies whether the amounts is correct and send the cashier back if necessary, otherwise closed the banking batch;
- g) The cashier in the presence of the senior put the money in the cash bags; seal it and lock it away in his/her fault for collection;
- h) All closed banking batches must be deposited and received by the bank within 72 hours;
- i) An independent service provider will collect all bags; quote the seal serial number and issue a receipt for the money bags;
- j) The service provider must ensure that the bank check the seals, verify the seal number and sign for the money bag; and
- k) All shortages must be paid in by the cashier and all surpluses must be receipted in an item number open for this purpose.

4.4.2 Availability of receipting points

- a) Cash receipting points will be available in Wolseley, Tulbagh, Ceres, Prince Alfred Hamlet and Op-Die-Berg at municipal offices;
- b) The normal office hours are Monday to Thursday 08h30 till 15h30 and Friday 08h30 till 14h30;
- c) The Municipality makes use of prepaid electricity sales points in all the suburbs where the Municipality is the approved electricity supplier, these points is open at least from 07h00 till 20h00; and
- d) The Municipality also make use of third party payments for example Easy pay and Pay – a- Bill.

4.4.3 Electronic payments directly into bank account

Electronic payments directly into the bank account are allowed provided that the client use his/her debtors account number as reference or booking number or traffic fine number.

4.4.4 Receipt of money by post

- a) All mail of the Municipality is opened by an official responsible for Archives in the presence of a cashier responsible for collecting the mail received payments;
- b) All monies (cash, cheques and postal orders) are recorded in a register signed by the mail received payments;
- c) This cashier will then capture the received payments on the financial system; records the receipting number with the date of the receipt and sign the register;
- d) When a cheque is post dated, it is written in a post dated cheque register and then kept in a safe until the valid date and then it is captured; and
- e) The senior responsible for the cashiers must verify at least once a week that all payment received via mail is received and that all post dated payments has been captured.

5. INVESTMENT POLICY

5.1 General Policy

Generally Council will invest surplus funds with deposit taking institutions registered in terms of the Bank's Act, 1990 (Act 94 of 1990) for terms not exceeding one year in anticipation of cash flow expectations. From time to time, with prior Executive Mayoral Committee approval, investments can exceed 1 [one] year and be made at other institutions/instruments as approved in the National Treasury regulations from time to time.

5.2 Application

5.2.1 This policy applies to all investments made by the Witzenberg Municipality or its duly appointed investment manager.

5.2.2 In addition, all investments must be in accordance with the Municipal Investment Regulations. Where there is a conflict between this policy and the Municipal Investment Regulation, the Municipal Investment Regulations will supersede this policy.

5.2.3 This policy do not apply to -

- (a) a pension or provident fund registered in terms of the Pension Funds Act 24 of 1956, or any subsequent legislation; or
- (b) in respect of trust money administered by a municipality where a trust deed prescribes how the trust money is to be invested.

5.2.4 Investments dominated in foreign currencies prohibited

Council may make an investment only if the investment is dominated in Rand and is not indexed to, or affected by, fluctuations in value of the Rand against foreign currency.

5.4 Diversification

- 5.4.1 Council will only make investments with approved institutions which have an A rating as per Appendix A.
- 5.4.2 Not more than 30% of available funds will be placed with a single institution.
- 5.4.3 Council must regularly monitor its investment portfolio and when appropriate liquidate an investment that no longer has the minimum acceptable credit rating as specified in 4.4.1 above.

5.5 Investment Managers

5.5.1 External Investment Managers

The municipality may as and when the need arise approach an external A-graded investment manager to administer the investment portfolio on its behalf. The external investment manager will be appointed in terms of SCM policy and service level agreement will govern the functions and responsibility of the service provider. All investments made by the external investment manager on behalf of the Council of Witzenberg must be made within the ambit of this policy and with National Treasury's investment Regulations.

5.5.2 Internal Investment Manager.

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

5.6 INTERNAL CONTROLS OVER INVESTMENTS

5.6.1 Delegations

In terms of section 79 of the Act, the Accounting Officer has delegated to the Director: Finance (CFO), in writing, his duty under section 65(2)(h) to manage the councils available working capital effectively and economically in terms of the prescribed cash management and investment framework. The CFO has sub delegated this duty to the Manager Financial Administration.

5.6.2 Concluding deals

Written mandates, signed by the Manager Financial Administration and the CFO, shall be issued to all investees with whom the Council of Witzenberg invests funds setting out the following:

- 5.6.2.1 Authorised dealers: name and particulars of the Councils officials who are authorised to transact investments deals with the investees;
- 5.6.2.2 Authorised signatories: name and particulars of the Councils officials who are authorised to sign written confirmations or any other correspondence in respect of investments transactions.
- 5.6.2.3 A dealing sheet, signed by an authorised dealer, shall be prepared in all instances for each individual investment, detailing the quotations received and the recommended investee. The Manager Financial Administration, together with any one of the authorised signatories referred to above, shall be authorised to approve the transaction.
A written confirmation of the terms of each investment transaction shall be prepared, and signed off by the Manager Financial Administration and the CFO.

5.7 Ownership

- 5.7.1 All investments must be made in the name of the Council of Witzenberg Municipality.
- 5.7.2 Written proof of investments made must be obtained from the institution where the investment is made and must be kept on file.
- 5.7.3 Council may not borrow money for the purposes of investment.

6. DUE CARE

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

- 6.1 The Chief Financial Officer and all staff in his/her directorate shall not accede to any influence by or interference from Councillors, investment agents, institutions or any other outsiders.
- 6.2 Under no circumstances may inducements to invest be accepted;
- 6.3 Interest rates quoted by one institution must not be disclosed to another institution; and
- 6.4 The business ethics of any controlling body of which the relevant financial institution is a member must be observed by such institution or body at all times.
- 6.5 Investments must be made with such judgement and care, under prevailing circumstances like a person of prudence, discretion and intelligence would exercise.
- 6.6 Investment may not be made for speculation but must be a genuine investment; and
- 6.7 Investments must in the first instance be made with the primary regards being to the probable safety of the investment, in the second instance to the liquidity needs of the municipality and lastly to the probable income derived from the investment.

7. PERFORMANCE MEASUREMENT

Measuring the effectiveness of Council's treasury activities is achieved through a mixture of subjective measures. The predominant subjective measure is the overall quality of treasury management information. The Chief Financial Officer has primary responsibility for determining this overall quality. Objective measures include:-

- 7.1 Adherence to policy.
- 7.2 Timely receipt of interest income.

8. REPORTING

8.1 Reports

REPORT NAME	FREQUENCY	PREPARED BY	RECIPIENT
Bank Balance	Report Daily	Senior Clerk Bank Reconciliations	Manager: Financial administration
Investments	Monthly within 10 working days of the end of the month. As part of section 71 of MFMA report	Accountant	Manager: Financial administration, Chief Finance Officer and Council

8.2 Monthly reports

Monthly reports must set out at least –

- (a) the market value of each investment as at the beginning of the reporting period;
- (b) any changes to the investment portfolio during the reporting period;
- (c) the market value of each investment as at the end of the reporting period; and
- (d) fully accrued interest and yield for the reporting period

9. ANNUAL REVIEW OF POLICY

This policy on investments will be reviewed annually or earlier if so required by legislation. Any changes to the investment policy must be adopted by council and be consistent with the Act and any National Treasury regulations.

10. EFFECTIVE DATE

The effective date of this amended policy shall be 1 July 2010.

APPENDIX A

APPROVED INSTITUTIONS

Banking Institution	Short-term	Long-term
ABSA Bank Ltd		AAA
Development Bank of SA		AAA
First Rand Bank Ltd		AA+
Sanlam Capital Markets Ltd		A
Imperial Bank Ltd		A+
Investec Bank Ltd		A+
Land and Agricultural Bank of SA		AA-
Nedbank Ltd		AA-
Standard Bank of South Africa Ltd		AA+

1. Long-term ratings

AAA- Obligations which have the highest rating assigned by Fitch IBCA on its nation rating scale for that country. This rating is automatically assigned to all obligations issued or guaranteed by the sovereign state. Capacity for timely repayment of principal and interest is extremely strong, relative to other obligors in the same country.

AA- Obligations for which capacity for timely repayment of principal and interest is very strong relative to other obligors in the same country. The risk attached to these obligations differs only slightly from the country's highest rated debt.

A- Obligations for which capacity for timely repayment of principal and interest is strong relative to other obligors in the same country. However, adverse changes in business economic or financial conditions are more likely to affect the capacity for timely repayment than for obligations in higher rated categories.