



# **BANKING, INVESTMENT AND CASH MANAGEMENT POLICY**

**2025/26**

**FINANCIAL YEAR**

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## **PART 1: LEGAL COMPLIANCE**

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.

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

## **PART 2: OBJECTIVE OF THE INVESTMENT POLICY**

The council of the Mohokare Local 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.

The council therefore has a responsibility,

- to invest these public revenues knowledgeable and judiciously, and
- must be able to account fully to the community in regard to such investments.

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. 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.

## **PART 3: EFFECTIVE CASH MANAGEMENT**

### **3.1 Cash Collection**

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

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.

### **3.2 Payments to Creditors**

The chief financial officer shall ensure that all tenders and quotation invited by and contracts entered into by the municipality stipulate payment terms favorable 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. Payments will thus be made within 30 days after the receipt of the invoice or statement. The invoice or statement shall be stamped and the date when it is received shall be

documented on the invoice or statement. 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 when any payment is made.

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. Any such earlier payment shall be approved by the financial officer before any payment is made.

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 account earlier than such extended due date, except if the chief financial officer determines that there are financial incentives for the municipality to do so.

In respect of those creditors that send monthly statements the chief financial officer shall not ordinarily process payment, for accounts received, more than twice in each calendar month, such processing to take place on or about the middle and the end of the month concerned, bearing in mind the due date as reflected on the statement. Wherever possible, payments shall be effected by means of electronic transfers rather than by cheque.

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.

### 3.3 Management of Inventory

Each head of department shall ensure that such department's inventory levels do not exceed normal operational requirements in the case of items which are not readily available from suppliers, and emergency requirements in case of items which are readily available from suppliers.

Each head of department shall periodically review the levels of inventory held, and shall ensure that any surplus items be made available to the chief financial officer for sale at a public auction or by other means of disposal, as provided for in the municipality's supply chain management policy. The procurement of inventory will follow the procurement requirements as stipulated in the SCM Policy.

### 3.4 Cash Management Programme

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. The estimate shall indicate when and for what periods and amounts surplus revenues may be invested, when and for what amount 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.

## **PART 4: INVESTMENT ETHICS**

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

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 Municipal Manager, as the case may be, shall not accede to any influence by or interference from councilors, investment agents or institutions or any other outside parties. The municipality shall obtain, as a minimum, 3 quotations from the financial institutions to enable the municipality to select the best investment opportunity.

Neither the chief financial officer nor the Municipal Manager, as the case may be, 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.

## **PART 5: INVESTMENT PRINCIPLES**

### **5.1     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 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)

### **5.2     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 average risk associated with investment institutions. Deposits shall be made only with registered deposit-taking institutions (see 5.4 below).

### **5.3     Payment of Commission**

Every financial institution with which the municipality makes an investment must issue a certificate to the chief financial officer in regards 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.

#### 5.4 Call Deposits and Fixed Deposits

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

Given the volatility of the money market, the chief financial officer, shall, whenever necessary, request quotations telephonically, and shall record in an appropriate register the name of the institution, the name of the person contacted, and the relevant terms and rates offered by such institution, as well as any other information which may be relevant (for example, whether the interest is payable monthly or only on maturity, and so forth).

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).

Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of part 7 below) shall be paid over only to such institution itself and not to any agent or third party. Once the investment has been made, the chief financial officer shall ensure that the municipality receives a properly documented receipt of certificate for such investment, issued by institution concerned in the name of the municipality.

#### 5.5 Restriction on Tenure of Investment

No investment with a tenure exceeding the twelve months shall be made without the prior approval of the Municipal Manager.

### **PART 6: CONTROL OVER INVESTMENT**

The chief financial officer shall ensure the proper records and investment register 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 is liquidated at a date other than the maturity date, and such date shall be indicated.

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.

The chief financial officer shall ensure that all investment document 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.

The investment register shall be updated on a monthly basis regarding interest accrued and any withdrawals made. The Investment register shall be reviewed by the Municipal Manager and be presented on a quarterly basis to the Council.

### **PART 7: REPORTING AND MONITORING OF INVESTMENT**

### 7.1 Benchmarking and Performance Evaluation

The CFO shall within 10 working days of the end of each month submit to the Mayor a report describing in accordance with generally recognized accounting practice the investment portfolio of the municipality as at the end of the month.

The report must set out the following:

- The market value of each investment as at the beginning of the reporting period;
- Any changes to the investment portfolio during the reporting period;
- The market value of each investment as at the reporting period;
- Fully accrued interest or yield for the reporting period.

### 7.2 Rating of Financial Institutions

Mohokare Local Municipality relies on the credit analysis of the financial institutions as obtained from external Credit Rating Agencies. The Municipal Manager shall be made aware of real or potential problems related to credit or credit rating issues and their impact on the investment portfolio by the recognized Credit Rating Agencies, as this information becomes available.

### 7.3 Permitted Investments

The following are permitted investments in terms of the **Government Gazette No. 27431**.

A municipality may invest funds only in any of the following: -

- (a) Securities issued by the national government
- (b) Listed corporate bonds with an investment grade rating from a nationally or internationally recognized Credit Rating Agency
- (c) Deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990)
- (d) Deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of 1984)
- (e) Deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984)
- (f) Banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990
- (g) Guaranteed endowment policies with the intention of establishing a sinking fund finance
- (h) Repurchase agreements with banks registered in terms of the Banks Act, 1990
- (i) Municipal bonds issued by a municipality; and
- (j) Any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consultation with the Financial Services Board.

### 7.4 Use of Investment Managers

Investment Managers may be used only on the following circumstances:

- In the event that special knowledge is required which is not available within the municipality's investment committee
- Only in an advisory capacity - not dealing on behalf of the municipality
- Only with prior written approval of Council
- In compliance to the Municipal Finance Management Act 56 of 2003 - Municipal Investment Regulation, any fees, commission or other reward payable to an investment manager in respect of any investment made by a municipality, both the municipality and investment manager must declare such payment to Council by way of a certificate disclosing full details of the payment.

## **PART 8: OTHER EXTERNAL INVESTMENTS**

From time to time it may be in the best interests of the municipality to make longer-term investment in secure stock issued by the national government, Eskom or any other reputable parastatal or institution, or by another reputable municipality. In such cases the chief financial officer, must be guided by the 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.

No investment with a tenure exceeding twelve months shall be made without the prior approval of the Municipal Manager, and without guidance having been sought from the municipality's bankers or other credible investment advisers on the security and financial implication of the investment concerned.

## **PART 9: BANKING ARRANGEMENTS**

The municipal manager is responsible for the management of the municipality's bank account, but may delegate this function to the chief financial officer. The municipal manager, chief financial officer and any other official as authorized by council are authorized at all times to sign cheques and any other documentation associated with the management of such accounts. The municipal manager, in consultation with the chief financial officer, is authorized to appoint two or more additional signatories in respect of such accounts, and to amend such appointments from time to time. The list of current signatories, when applicable, shall be reported to the Municipal Manager, on a monthly basis, as part of the report dealing with the municipality's investment. (At all times changes to the list of approved signatories must bear the signatory of the Municipal Manager)

In compliance with the requirements of good governance, the municipal manager shall open a bank account for ordinary operating purposes. One or more separate accounts may also be maintained for the following: capital receipts in the form of grants, donations or contributions from whatever source and trust funds. 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.

## **PART 10: RAISING OF DEBT**

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. Long-term debts 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.

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 are 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.

## **PART 11: INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES**

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 invested 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.

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 amount due in respect of such loan on the respective due dates.

## **PART 12: INTEREST ON INVESTMENTS**

The interest accrued on all the municipality's investments shall, in compliance with the requirements of generally accepted municipal accounting practice, be recorded in the first instance in the municipality's operating account as ordinary operating revenues.

In the case of the external finance fund, the chief financial officer may reduce the amount which must be annually invested to redeem any particular loan by the amount of interest so accrued.

If the accrual of interest to the external finance fund, unutilized capital receipts and trust funds results in a surplus standing to the amount of any such funds, that is, an amount surplus to the resources required in respect of such funds or accounts, such surplus amount shall be credited by the chief financial officer to the appropriation account.

## **PART 13: REVIEW OF THE POLICY**

The policy will be reviewed annually to ensure congruence with changing needs, technology, evolving regulatory standards with MFMA, Investment regulations and private sector best

practices. The process to be followed for the annual revision of the policy will be via the committee system of the Council as part of the annual budget process.

## **ANNEXURE I: PARAPHRASE OF REQUIREMENTS OF MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003**

Note: In terms of section 60(2) of the Municipal System 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, Municipal Manager or chief financial officer. The foregoing policy is based on the assumption that such authority has been delegated to the chief financial officer.

### **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 account. If the municipality has more than one 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 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 30 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 Section 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 authorized 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 authorized 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 authorized 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, 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 deposit;
- Make investments for cash management purposes in accordance with Section 13; 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 pay loans; or to repay consumer deposits).

Any authorization to a senior financial official to withdraw money or to authorize the withdrawal of money from the bank must be in accordance with the framework as may be prescribed. The accounting officer may not authorize any official other than the chief financial officer to withdraw money or to authorize the withdrawal of money from the municipality's bank account if the municipality has a primary 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 officer bearer of the municipality may set up a relief, charitable, trust or other funds or 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 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 not 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 member 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 in that financial year. The bank must also promptly disclose any information regarding the account when so requested by the national 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 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 account 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 36: NATIONAL AND PROVINCIAL ALLOCATION 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 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 MUNICIPALITY**

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 budgets 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 municipality 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 application 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 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 responsible 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.

## **PART 13: ANNEXTURE II: CODE OF PRACTICE IN REGARD TO PAYMENTS, 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 OF**

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 such rules and procedures as may be determined by the Municipal Manager:

- All buying contracts shall be administered by the chief financial officer, and all payments relating to such contracts shall be authorized 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 authorized 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 respect – before being submitted to the chief financial officer for payment.

- The chief financial officer shall prepare a contract register, indicating all the commitments, which will be reviewed by the municipal manager,

### 3. 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 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.
- 3.3. All requests for payments of whatever nature shall be submitted on payment voucher, the format of which shall be determined by the chief financial officer. Such vouchers shall be authorized 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 councilors, and for the determination of the payment system to be used.

### 4. 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. For all types of sundry revenue received by the municipality, registers shall be kept by the delegated officials. These registers shall be reviewed by the chief financial officer, to ensure that all monies received are recorded on the Sebata system.
- 4.4. The collection of all arrear revenues and the control of arrear accounts shall be co-ordinate 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 Municipal Manager.

### 5. 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. For all types of revenue received by the municipality, registers shall be kept by the delegated officials. These registers shall be reviewed by the chief financial officer, to ensure that all monies received are recorded on the Sebata system.
- 5.3. 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. At the close of business, a cash-up sheet will be completed by the Cashier. The cash-up sheet shall be reviewed by a delegated official. The duplicate receipts and cash-up sheets shall be filed to ensure that a proper audit trail exists.
- 5.4. The municipality must capture the receipts/cash-up sheets on the Sebata system. On a monthly basis reconciliation between the monies received and the revenue captured on the system shall be prepared by a delegated official. The reconciliation shall be reviewed by the chief financial officer.

#### **PART 14: ANNEXTURE III: NON-ROUTINE JOURNALS**

All non-routine routine journals shall be prepared and reviewed as per the delegations. A delegated official shall review the journals before it is captured on the financial system.

#### **PART 15: ANNEXTURE IV: CHECKLIST**

The following checklist represents a basis summary of the key controls which the municipality should perform:

| <u>No</u> | <u>Description:</u>                                                                                                                                | <u>Performed?</u> |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| 1         | All invoices received shall be date stamped on the date the invoice was received.                                                                  |                   |
| 2         | At least three quotations shall be obtained from financial institutions before any new investments are made.                                       |                   |
| 3         | The investment register shall be updated and reviewed on a monthly basis.                                                                          |                   |
| 4         | The investment register shall be reported to Council on a quarterly basis.                                                                         |                   |
| 5         | Both the Municipal Manager and the Chief Financial Officer shall sign cheque as approval.                                                          |                   |
| 6         | All new bank accounts opened shall be reported to the Provincial Treasury and the Auditor-General within 30 days after the bank account is opened. |                   |
| 7         | There shall be registers prepared for all types of sundry income. These registers shall be reviewed by the delegated officials.                    |                   |
| 8         | Cash-up sheets/deposit slips shall be prepared on a daily basis. These documents shall be reviewed by the delegated official on a timely basis.    |                   |

|   |                                                                                                                                                                 |  |
|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| 9 | The municipality shall prepare monthly reconciliations between the monies received and the revenue captured, which shall be reviewed by the delegated official. |  |
|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|--|