



DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY

CASH MANAGEMENT, BANKING AND INVESTMENT POLICY

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1. DEFINITIONS

- “Accounting Officer”** means the Municipal Manager of Dr Nkosazana Dlamini Zuma Local Municipality;
- “Chief Financial Officer”** means the Chief Financial Officer of Dr Nkosazana Dlamini Zuma Local Municipality;
- “Creditor”** in relation to a municipality, means a person to whom money is owing by the municipality;
- “Current Liabilities”** are: - creditors; bank overdrafts; and short-term portion of long-term liabilities.
- “Debt”** means a monetary liability or obligation created by a financing agreement, bond or overdraft, or by the issuance of municipal debt instruments; or a contingent liability such as that created by guaranteeing a monetary liability;
- “Debt agreement”** means any loan agreement under which a municipality undertakes to repay a long-term debt over a period of time;
- “Financial year”** means a year commencing on the 1 July each year and ending on 30 June;
- “investment”** in relation to funds of a municipality, means-
- a) the placing on deposit of funds of a municipality with a financial institution;
 - b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;
- “Lender”** in relation to a municipality, means a person who provides debt finance to a municipality;
- “Liquidity”** refers to a financial ability of the municipality or any other company to service its debts when falling due;

- “Long-term debt”** means debt repayable over a period exceeding one year;
- “Long-term investments”** means any cash or liquid securities owned by a municipality which have a maturity date, and/or callable date reasonably expected to be exercised, that is greater than one year;
- “Minister”** refers to a Cabinet member responsible for finance;
- “The Municipality”** refers to Dr Nkosazana Dlamini Zuma Local Municipality;
- “Municipal Systems Act”** means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);
- “Primary bank account”** means the main bank account referred to in section 8(1) of the MFMA;
- “Short-term debt”** means debt repayable over a period not exceeding one year;
- “Short-term investments”** means any cash or liquid securities owned by the municipality which is having a maturity date and/or callable date reasonably expected to be exercised, that is equal to or less than one year.

2. INTRODUCTION

The Council of the municipality is the trustee of the public revenues, which it collects, and it therefore has an obligation to the community to ensure that the Municipality's cash resources are managed effectively and efficiently. The Council therefore has a responsibility to invest these public revenues knowledgeably and judiciously, and must be able to account fully to the community in regard to such investments.

3. OBJECTIVES

The objectives of the Cash Management, Banking and Investment Policy are to:

- 3.1 Manage the net current asset requirement of the municipality in such a manner that it will not tie up the municipality's scarce resources required to improve the quality of life of the citizens;
- 3.2 Manage the financial affairs of the municipality in such a manner that sufficient cash resources are available to finance the capital and operating budgets of the municipality; and
- 3.3 The investment management 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 management 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.

4. LEGAL COMPLIANCE

- 4.1 The Municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003.
- 4.2 A paraphrase of the provisions of this Act is attached as Annexure I to this Policy.

5. EFFECTIVE CASH MANAGEMENT

- 5.1 Cash Collection
 - 5.1.1 All monies due to the Municipality must be collected as soon as possible, either on or immediately after due date, and banked on a daily basis.
 - 5.1.2 Cash left in safe can pose a security risk, could necessitate additional insurance coverage and does not earn any interest. Special deposits should be arranged for larger amounts to ensure that these are banked on the next working day they are received.

- 5.1.3 All monies collected by the Council must be banked in the primary bank account of the Municipality.
- 5.1.4 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 Accounting Officer and the Chief Financial Officer, and this code of practice is attached as Annexure II to this Policy.
- 5.1.5 It is important that all monies owing to the Council are correctly reflected in the debtor's system. The following control measures are necessary:
- a) A well-managed debtors and banking control system will ensure that funds owed to the Council are received and banked; and
 - b) It is also important to review debt collection performance by comparing the debtors outstanding in relation to total revenue and then comparing this to previous financial years, in order to determine whether the debt collection process is deteriorating or improving.
- 5.1.6 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.
- 5.2 Payments to Creditors
- 5.2.1 The Chief Financial Officer shall ensure that all tenders and quotations 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. This rule shall be departed from only where there are financial incentives for the Municipality to effect earlier payment, and any such departure shall be approved by the Chief Financial Officer before any payment is made.
- 5.2.2 In the case of small, micro and medium enterprises, where such a policy may cause financial hardship to the contractor, payment may be affected 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 early payment shall be approved by the Chief Financial Officer before any payment is made.
- 5.2.3 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.

5.2.4 The Chief Financial Officer shall not ordinarily process payments, for accounts received, more than once in each calendar month, such processing to take place on or about the end of the month concerned, except when payment is to be affected in circumstances contemplated in 3.2. 2.. Wherever possible, payments shall be affected by means of electronic transfers rather than by cheques.

5.2.5 Special payments to creditors shall only be made with the express approval of the Accounting Officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end processing.

5.3 Management of Cash Levels

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

5.4 Cash Management Programme

5.4.1 The Chief Financial Officer shall prepare an annual estimate of the Municipality's cash flows divided into calendar months, and shall update this estimate on a weekly basis. The estimate shall indicate when and for what periods and amounts surplus revenues may be invested, when and for what amounts investments will have to be liquidated, and when – if applicable – either long-term or short-term debt must be incurred. Heads of departments shall in this regard furnish the Chief Financial Officer with all such information as is required, timeously and in the format indicated.

5.4.2 The Chief Financial Officer shall report to the Executive Committee or the Mayor, as the case may be, on a monthly basis and to every ordinary Council meeting the cash flow estimate or revised estimate for such month or reporting period respectively, together with the actual cash flows for the month or period concerned, and cumulatively to date, as well as the estimates or revised estimates of the cash flows for the remaining months of the financial year, aggregated into quarters where appropriate.

5.4.3 The cash flow estimates shall be divided into calendar months, and in reporting the

Chief Financial Officer shall provide comments or explanations in regard to any significant cash flow deviation in any calendar month forming part of such report. Such report shall also indicate any movements in respect of the Municipality's investments, together with appropriate details of the investments concerned.

6. INVESTMENT ETHICS

- 6.1 Investments of money not immediately required must be governed by the following investment objectives, in order of priority:
 - 6.1.1 Preservation and safety of principal.
 - 6.1.2 Liquidity and
 - 6.1.3 Yield.
- 6.2 Investment may not be undertaken with a view to speculation.
- 6.3 Investment by the municipality in foreign currencies is prohibited.
- 6.4 The Council may not borrow money for reinvestment, as this would mean interest rates would have to be estimated in advance, which can be seen as speculation with public funds.
- 6.5 The Accounting Officer and his/her delegate shall be responsible for investing the surplus revenues of the Municipality, and shall manage such investments in consultation with the Mayor and in compliance with any policy directives formulated by the Council and prescriptions made by the Minister of Finance.
- 6.6 In making such investments the Accounting Officer and his/her delegate, 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 Mayor, shall not accede to any influence by or interference from Councilors, investment agents or institutions or any other outside parties.
- 6.7 Neither the Accounting Officer and his/her delegate nor the Mayor 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.
- 6.8 Under no circumstances may the Accounting Officer and his/her delegate accept bribes into making an investment.
- 6.9 Any gift regarded as token of goodwill by the donor must be declared in terms of the

code of conduct.

6.10 Interest rates offered must not be divulged to another institution.

7. INVESTMENT PRINCIPLES

7.1 Limiting Exposure

7.1.1 Where large sums of money are available for investment the Chief Financial Officer shall ensure that they are invested with more than one registered financial institution, wherever practicable, in order to limit the risk exposure of the Municipality. The Chief Financial Officer shall further ensure that, as far as it is practically and legally possible, the Municipality's investments are so distributed that more than one investment category is covered (that is, call, money market and fixed deposits).

7.2 Risk and Return

7.2.1 Although the objective of the Chief Financial Officer in making investments on behalf of the Municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved in regard to both the financial institution and the investment instrument concerned. No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions. Deposits shall be made only with registered deposit-taking institutions (6.4 below).

7.3 Payment of Commission

7.3.1 Every financial institution with which the Municipality makes an investment must issue a certificate to the Chief Financial Officer in regard to such investment, stating that such financial institution has not paid and will not pay any commission and has not and will not grant any other benefit to any party for obtaining such investment.

7.4 Call Deposits and Fixed Deposits

7.4.1 Before making any call or fixed deposits, the Chief Financial Officer, shall obtain quotations from at least three registered financial institutions.

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

7.4.3 Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, e-mail or any other expedient means).

7.4.4 Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of part 9 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 or certificate for such investment, issued by the institution concerned in the name of the Municipality.

7.4.5 All investment must be denominated in South African Rand (ZAR).

7.5 Restriction on Tenure of Investments

7.5.1 No investment with a tenure exceeding twelve months shall be made without the prior approval of the Mayor or the Executive Committee, as the case may be.

8. INVESTMENT PROCEDURE

8.1 After determining whether there is cash available for investment and fixing the maximum term of investment, the Accounting Officer must consider the way in which the investment is to be made.

8.2 Short-term Investment

- a) The term of investment shall not be more than 12 months.
- b) Quotations must be obtained from a minimum of three registered financial institutions, for the term of which the funds will be invested.
- c) Should one of the institutions offer a better rate for a term, other than the term originally quoted for, the other institutions which were approached, must also be asked to quote a rate for the other term.
- d) When obtaining quotations from investment institutions, the person requesting the quotations should not make reference to other quotations received from different institutions to ensure fair dealings. In this way investment institutions are not made to vigorously compete with each other.
- e) Quotations can be obtained telephonically or via e-mail communication, as rates generally change on a regular basis and time is a determining factor when investments are made.
- f) No attempts must be made to make institutions compete with each other.

8.3 Long-term investment

- a) Written quotations must be obtained for investments made for periods longer than twelve months.
- b) The prior approval of the Council must be obtained for all investments made for periods longer than twelve months after considering the cash requirement for the next three years.

8.4 Investment maturity

- a) Upon maturity of the investment the Municipality shall do one of the following:
 - i. Shall withdraw the whole amount invested.
 - ii. Shall re-invest 100% interest plus the original amount that had been invested, in terms of the investment procedure, unless if Council wishes to utilize the original money or the interest.
 - iii. Shall withdraw the interest and re-invest the original capital amount.

8.5 Early withdrawal of invested funds

- a) When investing the funds with the banking institutions the Chief Financial Officer shall ensure that such funds are not withdrawn earlier than the maturity date agreed upon, by so doing the Municipality will not incur fruitless and wasteful expenditures in form of penalties resulting from early withdrawal of investments.
- b) The Chief Financial Officer shall only withdraw funds if:
 - i) the banking institution concerned has agreed to exempt any penalties due to early withdrawal of investment or;
 - ii) the Accounting Officer may grant approval to withdraw the invested funds after he/she has satisfied himself/herself that the urgency was unforeseeable at the time when funds were invested and that the need for funds far outweighs the penalties being paid for such early withdrawal.

8.6 Permitted Investments

With reference to the Municipal Investment regulation, the Municipality may invest funds only in any of the following investment types: -

- 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 certificated or negotiable certificated of deposit of banks registered in terms of the Banks Act, 1990;
- g) Guaranteed endowment policies with the intention of establishing a sinking fund;
- 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

9. CONTROL OVER INVESTMENTS

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

10. OTHER EXTERNAL INVESTMENTS

- 10.1 From time to time it may be in the best interests of the Municipality to make longer-term investments 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 best rates of interest pertaining to the specific type of investment, which the Municipality requires, and to the best and most secure instrument available at the time.

- 10.2 No investment with a tenure exceeding twelve months shall be made without the prior approval of the Mayor, and without guidance having been sought from the Municipality's bankers or other credible investment advisers on the security and financial implications of the investment concerned.

11. BANKING ARRANGEMENTS

- 11.1 The Accounting Officer is responsible for the management of the Municipality's bank accounts, but may delegate this function to the Chief Financial Officer. The Accounting Officer and Chief Financial Officer are authorised at all times to sign cheques and any other documentation associated with the management of such accounts. The Accounting Officer, in consultation with the Chief Financial Officer, is authorised 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 shall be reported to the Mayor, as the case may be, on a monthly basis, as part of the report dealing with the Municipality's investments.
- 11.2 In compliance with the requirements of good governance, the Accounting Officer shall open a bank account for ordinary operating purposes, and shall further maintain a separate account for each of the following: the administration of the external finance fund and of the asset financing reserve (if these accounts are legally permissible). One or more separate accounts shall also be maintained for the following: capital receipts in the form of grants, donations or contributions from whatever source; trust funds; and the municipality's self-insurance reserve (if legally permissible). In determining the number of additional accounts to be maintained, the Accounting Officer, 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.
- 11.3 The Accounting Officer shall invite tenders for the placing of the municipality's bank accounts within six months after the election of each new Council, such new banking arrangements to take effect from the first day of the ensuing financial year. However, such tenders may be invited at any earlier stage, if the Accounting Officer, in consultation with the Chief Financial Officer, is of the opinion that the services offered by the Municipality's current bankers are materially defective, or not cost-effective, and

the Mayor agrees to the invitation of such tenders.

12. RAISING OF DEBT

- 12.1 The Accounting Officer 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 Accounting Officer. 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.
- 12.2 Long-term debt shall be raised only to the extent that such debt is provided for as a source of necessary finance in the capital component of the approved annual budget or adjustments budget.
- 12.3 Short-term debt shall be raised only when it is unavoidable to do so in terms of cash requirements, whether for the capital or operating budgets or to settle any other obligations, and provided the need for such short-term debt, both as to extent and duration, is clearly indicated in the cash flow estimates prepared by the Chief Financial Officer. Short-term debt shall be raised only to anticipate a certain long-term debt agreement or a certain inflow of operating revenues.

13. INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES

- 13.1 In managing the Municipality's investments, the Chief Financial Officer shall ensure that, whenever a long-term (non-annuity) loan is raised by the Municipality, an amount is invested at least annually equal to the principal sum divided by the period of the loan. Such investment shall be made against the bank account maintained for the external finance fund, and shall be accumulated and used only for the redemption of such loan on due date. The making of such investment shall be approved by the Council at the time that the loan itself is approved.
- 13.2 If the loan raised is not a fixed term loan, but an annuity loan, the Chief Financial Officer shall ensure that sufficient resources are available in the account maintained for the external finance fund to repay the principal amounts due in respect of such loan on the respective due dates.

14. INTEREST ON INVESTMENTS

- 14.1 The interest accrued on all the Municipality's investments shall, in compliance with the requirements of generally accepted accounting practice, be recorded in the first

instance in the Municipality's operating account as ordinary operating revenues, and shall thereafter be appropriated, at the end of each month, to the fund or account in respect of which such investment was made.

14.2 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.

14.3 If the accrual of interest to the external finance fund, unutilized capital receipts and trust funds results in a surplus standing to the account 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 and re-appropriated to the asset financing reserve.

15. RESPONSIBILITY/ACCOUNTABILITY

15.1 The Municipal Manager as the Accounting Officer of Dr. Nkosazana Dlamini Zuma Local Municipality is accountable for cash management and investments.

15.2 It is noted that with regards to sections of the Municipal Finance Management Act relating to investments, administration has been delegated by the Municipal Manager to the Chief Financial Officer.

16. COMPLIANCE AND ENFORCEMENT

16.1 Violation of or non-compliance with this Policy will give a just cause for disciplinary steps to be taken.

16.2 It will be the responsibility of the Accounting Officer to enforce compliance with this Policy.

17. EFFECTIVE DATE

The Policy shall come to effect upon approval by Council of Dr Nkosazana Dlamini Zuma Local Municipality.

18. POLICY ADOPTION

This Policy is adopted and approved by the Council of Dr Nkosazana Dlamini Zuma Local Municipality for implementation as follows.

Resolution No:

ADOPTED BY COUNCIL ON THIS _____ DAY OF _____ 2021

MUNICIPAL MANAGER
MR NC. VEZI

DATE

ANNEXURE I: 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 mayor 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(Act No 94 of 1990).

Money may be withdrawn from the municipality's bank account only in accordance with the requirements of Section 11 of the present Act.

SECTION 8: PRIMARY BANK ACCOUNT

Every municipality must have a primary bank account, and if the municipality has only one bank account that account is its primary bank account. If the municipality has more than one bank account, it must designate one of those bank accounts as its primary bank account.

The following must be paid into the municipality's primary account:

- All allocations to the municipality;
- All income received by the municipality on its investments;
- All income received by the municipality in connection with its interest in any municipal entity;
- All money collected by a municipal entity or other external mechanism on behalf of the municipality, and;
- Any other monies as may be prescribed.

The accounting officer of the municipality must submit to the national treasury, the provincial treasury and the Auditor-General, in writing, the name of the bank where the primary bank account of the municipality is held, and the type and number of the account. If the municipality wants to change its primary bank account, it may do so only after the accounting officer has informed the national treasury and the Auditor-General, in writing, at least 30 days before making such change.

SECTION 9: BANK ACCOUNT DETAILS TO BE SUBMITTED TO PROVINCIAL TREASURIES AND AUDITOR-GENERAL

The accounting officer of the municipality must submit to the provincial treasury and to the Auditor-General, in writing, within 90 days after the municipality has opened a new bank account, the name of the bank where the account has been opened, and the type and number of the account; and annually, before the start of each financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account.

SECTION 10: CONTROL OF MUNICIPAL BANK ACCOUNTS

The accounting officer of the municipality must administer 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 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 year. Such institution must also promptly disclose any information regarding the investment when so requested by the national treasury or the Auditor-General.

SECTION 17: CONTENTS OF ANNUAL BUDGETS AND SUPPORTING DOCUMENTS

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

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

SECTION 22: PUBLICATION OF ANNUAL BUDGETS

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

SECTION 36: NATIONAL AND PROVINCIAL ALLOCATIONS TO MUNICIPALITIES

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

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

SECTION 37: PROMOTION OF CO-OPERATIVE GOVERNMENT BY MUNICIPALITIES

In order to enable municipalities to include allocations from other municipalities in their budgets and to plan effectively for the spending of such allocations, the accounting officer of every municipality responsible for the transfer of any allocation to another municipality, must, by no later than 120 days before the start of its budget year, notify the receiving municipality of the projected amount of any allocation proposed to be transferred to that municipality during each of the next 3 financial years.

SECTION 45: SHORT-TERM DEBT

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

The council may approve a short-term debt transaction individually, or may approve an agreement with a lender for a short-term credit facility to be accessed as and when required, including a line of credit or bank overdraft facility, provided that the credit limit must be specified in the resolution of the council; the terms of the agreement, including the credit limit, may be changed only by a resolution of the council; and if the council approves a credit facility limited to emergency use, the accounting officer must notify the council in writing as soon as practicable of the amount, duration and cost of any debt incurred in terms of such a credit facility, as well as the options available for repaying such debt.

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

SECTION 46: LONG-TERM DEBT

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

SECTION 47: CONDITIONS APPLYING TO BOTH SHORT-TERM AND 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.

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

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

ANNEXURE II: CODE OF PRACTICE IN REGARD TO PAYMENTS, 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 of such rules and procedures as may be determined by the mayor:

- All buying contracts shall be administered by the chief financial officer, and all payments relating to such contracts shall be authorised by the chief financial officer or the head of department concerned; and
- All other contracts, including building, engineering and other civil contracts shall be administered by the head of department concerned, and all payments relating to such contracts shall be authorised by such head of department in accordance with the provisions of Section 3 below. The head of department concerned shall ensure that all payment certificates in regard to contracts are properly examined and are correct in all respects - before being submitted to the chief financial officer for payment.

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 vouchers,

the format of which shall be determined by the chief financial officer. Such vouchers shall be authorised in terms of such rules and procedures as are determined from time to time by the chief financial officer.

3.4 The maximum amount and nature of petty disbursements, where not covered by the general buying procedures referred to in Section 2, shall be generally determined from time to time by the chief financial officer. No cash float shall be operated without the authority of the chief financial officer, who may prescribe such procedures relevant to the management of such float as are considered necessary.

3.5 The chief financial officer shall be responsible for the payment of all salaries and remuneration benefits to employees and 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 The collection of all arrear revenues and the control of arrear accounts shall be coordinated by the chief financial officer in terms of any policies determined by the council. If it is clear that any revenues are not recovered or likely to be recovered after the necessary steps have been taken, the chief financial officer shall report the matter adequately and timeously to the finance and oversight committees.

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

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 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.

ANNEXURE III: APPLICABLE SECTIONS OF MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003

The above policy must be read in conjunction with the following sections of the Act:

- Section 7 – Opening of Bank Accounts
- Section 8 – Primary Bank Accounts
- Section 9 – Bank Account details to be submitted to Provincial Treasury and Auditor General
- Section 10 – Control of Municipal Bank Accounts
- Section 11 – Withdrawal from Municipal Bank Accounts
- Section 12 – Relief, charitable trust or other funds
- Section 13 – Cash Management and Investments
- Section 17 – Contents of annual budget and supporting documents
- Section 22 – Publication of Annual Budget
- Section 36 – National and Provincial Allocations to Municipalities
- Section 37 – Promotion of Co-Operative Government by Municipalities
- Section 45 – Short-Term Debt
- Section 46 – Long-Term Debt
- Section 47 – Conditions Applying to both Short-Term and Long-Term Debt
- Section 64 – Revenue Management
- Section 65 – Expenditure Management

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 Mayor or CFO. The foregoing policy is based on the assumption that such authority has been delegated to the CFO.