

DANNHAUSER MUNICIPALITY



DRAFT CASH, BANKING AND INVESTMENT MANAGEMENT POLICY 2025/26

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1. 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 must invest these public revenues knowledgeably and judiciously and must be able to account fully in regard to such investments. Now, therefore Dannhauser Local Municipality adopted the Cash, Banking and Investment Management Policy set out in this document.

2. DEFINITIONS

In this policy, unless the context indicates otherwise, a word or expression, to which a meaning has been assigned in the Municipal Finance Management Act (MFMA) No. 56 of 2003, has the same meaning; and:

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| “Accounting Officer” | the Municipal Manager of a municipality for the purposes of this policy in relation to a municipality and includes a person acting as the Accounting Officer. |
| “Act” | means the Local Government: Municipal Finance Management Act No. 32 of 2000 and Municipal Systems Act 2000; |
| “Auditor-General” | means the person appointed as Auditor-General in terms of section 193 of the Constitution and includes a person as acting as Auditor-General, designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General. |
| “Bank” | means a financial institution recognized by the Register of Banks; |
| “Cash” | comprises cash on hand and demand deposits; |
| “Cash Management” | means efficient and effective management of funds; |
| “Chief Financial Officer” | means a person designated in terms of section 80(2) (a) of the MFMA. |
| “Creditor” | in relation to a municipality, means a person to whom money is owing by the municipality. |
| “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” | includes any loan agreement under which a municipality undertakes to repay a long-term debt over a period of time. |

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| “Delegate Authority” | means any person / persons / committee delegated with the authority to act for on behalf of Dannhauser Local Municipality; |
| “Delegate Official” | means an official who has been delegated powers or instructed to perform duties assigned by the Accounting Officer; |
| “Financial year” | means a year ending on 30 June. |
| “Interest” | means money born from investment, which is expressed in a form of percentage rate over a certain period and reflects the rate of exchange of present consumption for future consumption; |
| “Investee” | an institution with which an investment is placed or its agent. |
| “Investment” | <p>in relation to funds of a municipality, means</p> <ul style="list-style-type: none">- the placing on deposit of funds of a municipality with a financial institution,- 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” | means the ease with which financial instruments can be converted to cash or cash equivalents; |
| “Long-term debt” | means debt repayable over a period exceeding one year. |

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| “Long-term investments” | means any cash or liquid securities owned by the Municipality which have a maturity date, and/or callable date reasonably expected to be exercised, that is greater than one year. |
| “Month” | means one of the 12 months of a calendar year. |
| “Municipal council” | means the council of a municipality referred to in section 18 of the Municipal Structures Act. |
| “Municipal entity” | has the meaning assigned to it in section 1 of the Municipal Systems Act. |
| “Municipality” | means Dannhauser Local Municipality. |
| “Municipal Manager” | means a person appointed as the Accounting Officer of the municipality. |
| “Municipal Systems Act” | means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) |
| “Ownership” | means all investments must be made in the name of the Dannhauser Local Municipality; |
| “Primary bank account” | means the main bank account referred to in section 8(1) of the MFMA. |
| “Provincial treasury” | means KwaZulu-Natal Provincial Treasury (KZNPT) |
| “Re-order level” | means the level of inventory at which inventory is re-ordered; |
| “Short-term debt” | means debt repayable over a period not exceeding one year. |
| “Short-term investments” | 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.

“The/This Policy” means the Cash, Banking and Investment Management Policy adopted by the Accounting Authority in terms of relevant legislation.

3. LEGAL FRAMEWORK

The following laws, regulations and guidelines apply to this policy –

- a) Municipal Finance Management Act No. 56 of 2003
- b) Municipal Systems Act No. 32 of 2000
- c) Municipal Investment Regulations (Government Gazette No. 26945 dated 29 October 2004) which is applicable to all Municipalities and Municipal Entities and is effective from 1 March 2005.
- d) IMFO Handbook for Municipal Financial Officers - May 1993

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 The sections in the MFMA relative to municipal banking and cash management can be viewed in Annexure B at the end of the policy. A brief extract has been provided per section; however, for proper implementation of this policy, it is imperative that the MFMA is consulted for a full analysis of the roles and responsibilities regarding municipal banking and cash management.

5. SCOPE OF THE POLICY

- 5.1 This policy will apply to Dannhauser Local Municipality, and its municipal entity under the effective control of the Municipality and any investment manager who acts on behalf of, or assists the Municipality or municipal entity in making or managing its investments.
- 5.2 This policy does not apply to a pension of provident fund registered in terms of the Pension Fund Act, 1956 (Act No. 24 of 1956), or any subsequent

legislation, or trust money administered by a municipality or municipal entity where a trust deed prescribes how the trust money is to be invested.

6. OBJECTIVES OF THE POLICY

6.1 Banking and cash management:

- a) To ensure prudent banking and cash management; and
- b) To 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.

6.2 Investment

- a) The investment policy is aimed at gaining the optimal return on investments without incurring undue risks. Preservation of capital is accomplished through placement of funds with creditworthy institutions and through portfolio diversification.
- b) To ensure investments that will provide reasonable returns for the municipality.
- c) The municipality must take all reasonable and prudent steps, consistent with its investment policy and according to the standard of care as prescribed in its investment policy, to diversify its investment portfolio across institutions, types of investments and investment maturities.
- d) The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated operating requirements.
- e) The investment portfolio shall be designed with the objective of attaining a maximum rate of return subject to the investment risk constraints and liquidity requirements of the municipality.

7. RESPONSIBILITY/ ACCOUNTABILITY

- 7.1 The overall responsibility of cash management and investment lies on the Municipal Manager as the Accounting Officer. However, the day to day handling of cash management may be delegated to the Chief Financial Officer or other delegated official of Dannhauser municipality.
- 7.2 The Accounting Officer is responsible for establishing systems, procedures, processes and training to ensure efficient and effective management of net current assets banking, cash management and investment.

7.3 Responsibility of the Accounting Officer regarding investments includes the following:

- a) To ensure that the Municipality is not faced with undue risks on funds invested;
- b) To invest money not immediately required, in order to avoid unnecessary compromise on cash flows;
- c) To differentiate the investment portfolio across institutions, types of investments and investment maturities;
- d) To ensure that investments will provide reasonable returns for the municipality.

7.4 The Accounting Officer of the Municipality must in terms of Municipal Finance Management Act:

- (a) Exercise utmost care to ensure reasonable protection of the assets and records of the entity;
- (b) Act with loyalty, honesty, integrity and in the best interest of the entity in managing the financial affairs of the entity;
- (c) disclose to the entity's parent municipality and the entity's board of directors, all material facts, including those reasonably discoverable, which in any way may influence the decisions or actions of the parent municipality or the board of directors; and
- (d) Seek, within the sphere of influence of that Accounting Officer, to prevent any prejudgment to the financial interests of the parent municipality or the municipal entity.

7.5 The Accounting Officer may not –

- (a) Act in a way that is inconsistent with the responsibilities assigned to Accounting Officers of municipal entities in terms of this Act; or
- (b) Use the position or privileges of, or confidential information obtained as Accounting Officer, for personal gain or to improperly benefit another person.

7.6 The effectiveness of this 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. Sound management on banking and cash management includes the following:

- a) Collecting revenue when it is due and banking it promptly;

- b) Pursuing debtors with appropriate sensitivity and consistency to ensure that amounts receivable by the municipality are collected and banked promptly;
- c) Making payments, including transfers to other levels of government and nongovernment entities no earlier than necessary, with due regard for efficient, effective and economical programme delivery and the government's normal terms for account payments;
- d) Avoiding pre-payment for goods or services (i.e. payments in advance of the receipt of goods or services), unless required by the contractual arrangements with the supplier;
- e) Accepting discounts to effect early payment within the settlement period, provided the Chief Financial Officer makes provisions in monthly cash flows estimates.
- f) Forecasting the cash flow requirements;
- g) Recognizing the time value of money, i.e. economically, efficiently, and effectively managing cash; and
- h) Taking any other action that avoids locking up money unnecessarily and inefficiently, such as managing inventories to the minimum level necessary for efficient and effective programme delivery, and selling surplus or obsolete assets in terms of the Asset Management Policy.

7.7 The Accounting Officer is therefore accountable for all transactions entered into by his designates. One of the main functions of the Accounting Officer is that of adequate and effective cash management (IMFO Handbook For Municipal Financial Officers May 1993).

7.8 The overall responsibility of investments lies with the Accounting Officer. However, the day to day handling of investments is the responsibility of the Chief Financial Officer or his designate.

8. EFFECTIVE CASH MANAGEMENT

8.1 Revenue Collection

- a) The Accounting Officer or delegated official must ensure that all revenue is properly accounted for.
- b) The collection and control of arrear revenue and accounts must be managed in accordance with policies issued and implemented in terms of section 64(2) of the MFMA and section 95 of the Municipal Systems Act.

- c) Adequate provision must be made for writing off irrecoverable revenue in terms of the policy on rates and tariffs.

8.2 Debtor Collections

- a) All monies due to the municipality must be collected by the due dates and banked daily.
- b) All monies collected must be deposited daily into the primary bank account of the Municipality.
- c) In the event when the cashier collection is short for the day, it is the cashier's responsibility to add the difference in the daily takings, failing to do so will result to a disciplinary hearing.
- d) The debt collection process must be reviewed regularly to determine the efficiency and effectiveness thereof.
- e) Extension for payment of rates and service charges must be given in terms of the municipality's credit control and debt collection by laws.
- f) Any debt older than the period determined by the credit control policy must be handed over to the applicable section for recovery.

8.3 Receipt of Money

- a) All payments received by a municipal cashier or authorized officer charged with the receipt of money must be acknowledged by the issuing of a sequentially numbered official receipt, obtained from the financial system or the manual receipt book.
- b) A pre-numbered official receipt reflecting the name of the Municipality must be issued for the receiving of all monies.
- c) An permitted cancelled receipt must be placed with the duplicate copy in the receipt book.
- d) Every receipt form, which is cancelled, will be re-attached, in the correct place in the relevant official receipt book. Where computer generated receipts are used, the original receipt must be filed for audit purposes.

- e) Any money, including cheques and postal orders received via mail must be recorded in a designated register that must reflect all necessary details to enable later use and identification of such receipts.
- f) The register, including all payments received, must be submitted to the cashier for receipting.
- g) All receipts will be recorded in the designated register, and any documents relative to the payments will be filed for audit purposes.

8.4 Payment to Creditors

- a) The Chief Financial Officer shall ensure that all tenders and quotations invited by, and contracts entered into by the Municipality stipulate payment terms favourable to the municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the Municipality. This rule shall be departed from only where there are financial incentives for the Municipality to effect earlier payment, and any such departure shall be approved by the Chief Financial Officer before any payment is made.
- b) Notwithstanding 8.4 (a) above, in the case of small, micro and medium enterprises, where such a policy may cause financial hardship to the contractor, then the following shall apply:

If the invoice for the goods or services is received by the municipality before the fifteenth day of the month in which the goods are delivered or the service rendered, the chief financial officer may in his discretion authorise payment thereof to be effected at the end of such month;
- c) All payments should be settled on or before the due date, that is, within 30 days of the receipt of the invoice.
- d) However, the Municipality will strive to settle the amounts payable to suppliers within the settlement period as advised on the invoice to take advantage of any settlement discounts. Discounts for early settlements must be reconciled monthly.
- e) Due regard must be taken of terms of credit offered.
- f) All payments by Municipality, where possible, should be effected electronically.

- g) Payments may not be split to avoid the tender regulation and any such non-compliance constitutes financial misconduct.
- h) Credit statements must be reconciled monthly.

8.5 Management of Consumable Inventory

- a) Cash management must be improved by seeing that adequate inventory control is exerted over all goods kept in the relevant user departments.
- b) Each head of department must ensure that inventory 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.
- c) Normal operational requirements will be based on past experience regarding the demand for each inventory category and estimated requirement to plan future demand for inventory requirements.
- d) Budget allocated for consumable stock should be monitored by the cashier in order to ensure those departments do not order in excess of the estimate. The cashier should report additional inventory requirement to the Chief Financial Officer for authorizing and must be reported to the Accounting Officer.
- e) Each head of department shall periodically review the levels of inventory held, and shall ensure that any surplus items must be made available to the Chief Financial Officer for sale at a public auction or by other approved means of disposal, as provided for in the municipality's asset disposal policy.

8.6 Raising of Debt

- a) 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. The municipality may incur two types of debt, namely short-term and long-term debt, and only with the prior approval of the Council.

- b) 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.
- c) 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.

8.7 Management of Cash Flow

- a) The cash holding of the municipality must be kept at the minimum level required to finance the day-to-day operations of the municipality, this is due to security reasons.
- b) The Chief Financial Officer must prepare an annual estimate of the cash flow per calendar month, this is in terms of section 71 of the MFMA.
- c) The Chief Financial Officer must, every month, update estimated cash flow with the actual cash flow.
- d) Comments and explanations must be provided for any significant cash flow deviations.
- e) The Chief Financial Officer must by no later than 5 days after the end of each month submit to the Accounting Officer, actual cash flow for final inspection and approval.
- f) The Accounting Officer must by no later than 10 working days after the end of each month submit to the mayor of the municipality / executive committee (EXCO) and the KZNPT a statement in the prescribed format in terms of section 71 of the MFMA.
- g) The analysis of the cash flow will include:
 - (i) When surplus revenue should be invested;
 - (ii) When investments should be liquidated; and
 - (iii) When long and short-term debt should be incurred.

8.8 Banking Arrangements

8.8.1 This section must be read in conjunction with the Best Practice Manual issued by the Institute of Municipal Finance Officers (IMFO), refer to *Annexure A* at the end of the policy.

- a) The Accounting Officer is responsible for the management of the bank account. The Accounting Officer and Chief Financial Officer are authorized at all times to sign cheques and any other documentation associated with the management of such accounts. All withdrawals from the primary or other municipal banks account must be authorised by the Accounting Officer.
- b) Written and signed delegations clearly indicating power and/or duties delegated should be in place. This is in terms of section 79 of the MFMA.
- c) The Accounting Officer is responsible for opening the primary bank account with authorized banking institutions for ordinary operating purposes. 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 the purposes of determining the interest payable to the municipality.
- d) The Chief Financial Officer must prepare the bank reconciliation within (provide days) after the end of each month, investigate any irregularities and report them to the Accounting Officer. The bank reconciliation should be prepared on a daily basis and every month end the bank reconciliation prepared must reflect agreeing balances between the balances as per bank statement to that arrived at by the municipality in its bank account.

9. INVESTMENTS

9.1 The Accounting Officer must ensure that investments made by the Municipality must be in accordance with this policy and applicable legislation promulgated by national government.

9.2 The Accounting Officer of the Municipality must in writing, determine the surplus funds available and the period for which these funds can be invested. The

investment of funds must be done with due care and through the invitation and selection of competitive bids or offers in accordance with Part1 of Chapter 11 of the MFMA. All documentation and certificates must be entered into a register, safely stored and controlled.

10. CARE TO BE EXERCISED WHEN MAKING INVESTMENTS

- a) Standards of care apply to investments by the Municipality or investment manager acting on behalf of the Municipality.
- b) The money available at the present time is worth more than the same amount in the future, due to its potential earning capacity. The core principle of finance holds that, provided money can earn interest, any amount of money is worth more the sooner it is received. This is also referred to as "present discounted value".
- c) Therefore, the investment manager must have understanding of the Time Value for Money (TVM).

10.1 Prudence

- a) Investments by the Municipality or by an investment manager on behalf of the Municipality must be made with such judgement and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs.
- b) Investments may not be made for speculation but must be genuine investments.
- c) Investments of money not immediately required must be governed by the following investment objectives, in order of priority:
 - i) Preservation and safety of principal.
 - ii) Liquidity and
 - iii) Yield (return on investment).

10.2 Ethics and Conflicts of Interest

- a) Officials responsible for the investment of funds must steer clear of outside interference regardless of whether such interference comes from individual Councillors, agents or any other institution.

- b) Interest rates offered should never be revealed to another institution.

10.3 Payment of Commission

- a) No fee, commission or other reward may be paid to a councillor or official of the Municipality or to a spouse or close family member of such councillor, in respect of any investment made or referred by the Municipality.
- b) If an investee pays any fee, commission or other reward to an investment manager in respect of any investment made by the Municipality, both the investee and the investment manager must declare such payment to the council of the Municipality by way of a certificate disclosing full details of the payment.

10.4 Delegation of Authority

Authority to manage the investment portfolio of a Municipality:

10.4.1 Short term investments

- a) The Accounting Officer of the municipality, with reference to Section 11(h) of the MFMA may delegate in writing such decisions to make investments, provided that such delegation is done in terms of sections 79 and 106 of the MFMA.
- b) Any delegation to invest funds must be in terms of the provisions of the investment policy and after taking due cognisance of the liquidity requirements of the Municipality.

10.4.2 Long term investments

- a) The municipal council is vested with the authority to make long-term investments in terms of Section 48 of the MFMA.

10.5 Rating of Financial Institutions

- a) The Municipality shall rely on the credit analysis of the financial institutions as confirmed by a reputable rating agency and undertake any other analysis as may be considered necessary prior to making any investment.

10.6 Bank Overdraft

- a) The Municipality must ensure that when investments are made, that these investments will not cause the bank account to be in an overdraft.

10.7 Borrowing

- a) No borrowing by the Municipality can be undertaken for investment purposes, as this would mean interest rates would have to be estimated in advance, which can be seen as speculation with public funds; reference is made to Chapter 6 and section 108 of the MFMA.

11. INVESTMENT PROCEDURE

11.1 Cash Flow needs of municipality

- a) The Accounting Officer must invest money that is not immediately required, this is in terms of section 13(1) b of the MFMA. Cash flow needs of the Municipality should be adequately analyzed in order to determine the amount available as well as reasonable period that such money will not be required.

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

11.3 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) Quotations must be obtained via e-mail communication, as rates generally change on a regular basis and time is a determining factor when investments are made.
- e) No attempts must be made to make institutions compete with each other.

11.4 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.

11.5 Secure institution

- a) The Accounting Officer must ensure that investments are secured with institutions that are authorized in dealing with financial services. List of such institutions should be approved by council from time to time.

11.6 Quotations

- a) Quotations must be obtained from a list of approved financial services institutions and in terms of the supply chain management policy of the Municipality.

11.7 Portfolio Diversifications

- a) The Accounting Officer of the municipality must ensure that difference types of investments are made in difference institutions in order to minimize risk and to maximize returns on such investments. Diversification must be primarily for ensuring reasonable return.

11.8 Return on investment

- a) Return on investment should be determined in each portfolio in order to ensure that monies of the Municipality are not exposed to undue risks. The rate of return should be above or cover all costs and fees associated with investments in order for the municipality to generate reasonable returns on investments.

11.9 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.

12. AUTHORISED INVESTMENTS

12.1 Permitted Investments

- a) In terms of the municipal investment regulations, the Municipality may only invest funds in any of the following investment types as may be appropriate to the anticipated future need for the funds.
 - a) Securities issued by the national government.
 - b) Listed corporate bonds with an investment grade rating from a nationally or internationally recognised 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
 - h) Repurchase agreements with banks registered in terms of the Banks Act, 1990

- i) Municipal bonds issued by the Municipality.
- 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.

12.2 Investments denominated in foreign currencies prohibited.

- a) The Municipality may make an investment only if the investment is denominated in Rand and is not affected by fluctuations in the value of the Rand against any foreign currency.

13. INVESTMENT PARAMETERS

13.1 General Investment Practice

- a) The investment policy of the Municipality must include a list of approved investment types that may be made and a list of approved institutions where or through which investments may be made.
- b) All investments made by the Municipality must be in the name of the Municipality.

13.2 Total exposure

- a) The total exposure for short and long-term investments to any financial institution must be limited to a percentage of the institution's total equity as published from time to time. (Percentage to be determined by the Municipality).

13.3 Credit Requirements

- a) The Municipality must take all reasonable and prudent steps consistent with its investment policy and according to the standard of care prescribed in its investment policy, to ensure it places its investments with credit-worthy institutions.
- b) The Municipality must liquidate an investment that no longer has the minimum acceptable credit rating specified in its investment policy.

13.4 Investment Managers

- a) Investment managers may be appointed to advise on investments in order to maximize interest earned without jeopardizing liquidity.

- b) Any contract with an investment manager must stipulate that the investment policy will apply to the Investment Manager and include the policy as an annexure.
- c) The conditions for their use including their liability in the event of noncompliance with this policy must be included in the bidding documentation specifying mandates that minimize risk and place the institutions on equal footing.

14. SAFEKEEPING AND CUSTODY

14.1 The Accounting Officer of the Municipality shall establish and maintain the following controls:

- a) Separation of transaction authority from accounting and record-keeping.
- b) Clear delegation of authority to subordinate staff members.
- c) Minimising the number of authorised investment officials.
- d) Effective data management and reporting system for investment activities.
- e) Documentation of transactions.
- f) Custodial Safekeeping.
- g) Checking and verification by senior officials of all investment transactions.
- h) Strict adherence to Investment Framework Policy and Guidelines.
- i) Limit placed on investments by various officials.
- j) Develop procedure manuals.
- k) Electronic Funds Transfer limits and a detailed procedure manual for the system.
- l) Funds to be invested by authorised officials in accordance with their delegated limits.
- m) On a regular basis monitor its investment portfolio.

14.2 The Chief Financial Officer shall ensure that proper records are kept of all investments made by the Municipality.

14.3 Such records shall indicate:

- a) the date on which the investment is made;

- b) the institution with which the monies are invested;
- c) the amount of the investment;
- d) the interest rate applicable, and the maturity date; and
- e) If the investment is liquidated at a date other than the maturity date, such date shall be indicated.

15. REPORTING

15.1 The Accounting Officer of the Municipality must, within 10 working days after the end of each month, submit to the Mayor of the Municipality, a report describing, in accordance with generally recognised accounting practice, the investment portfolio of the Municipality as at the end of the month.

15.2 The above-mentioned report must set out the following:

- 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.
- d) Fully accrued interest and yield for the reporting period.

15.3 A bank, insurance company or other financial institution which at the end of a municipal financial year holds, or at any time during a financial year held, an investment for the Municipality, must-

- a) 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; and;
- b) Promptly disclose information regarding the investment when so requested by the National Treasury or the Auditor-General.

16. COMPLIANCE AND ENFORCEMENT

- a. Violation of or non-compliance with this Policy may give a just cause of disciplinary steps to be taken against the parties involved.
- b. It will be the responsibility of Chief Financial Officer to enforce compliance with this Policy.

17. EFFECTIVE DATE

The Policy shall come to effect upon approval by Council of Dannhauser Local Municipality. This policy superseded any other Cash, Banking and Investment Management Policy issued previously.

18. POLICY ADOPTION

This policy has been considered and approved by the Council of the **Dannhauser Municipality** on this day.....of..... 2025 and will be implemented on the 01 July 2025.

ANNEXURE A

Annexure from the Best Practice Manual issued by the Institute of Municipal Officers (IMFO)

| NO. | PROCEDURE | FREQUENCY | RESPONSIBILITY | KPI | RELEVANT POLICY |
|-----|--|-----------|--|-----|-------------------------------|
| 1. | Bank Account Management: | | | | |
| 1.1 | <p>The Chief Financial Officer must establish the following with the Municipality's bankers:</p> <ul style="list-style-type: none">• Procedures regarding the frequency of printing and receipt of bank statements;• Access to on-line banking facilities;• Security of information when transacting with the bank through on-line facilities or otherwise;• The basis for calculating bank charges;• The extent of bank overdraft facilities;• The bank overdraft interest rate;• Cash management arrangements to automatically transfer surplus funds to a call account.• | Ongoing | Municipal Manager/Chief Financial Officer/Authorised Designate | No | Banking and Investment Policy |

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| 2. | Allocation of Responsibility for the | | | | |
| 2.1 | Management of the Bank Account: The Chief Financial Officer should: <ul style="list-style-type: none"> • Allocate the responsibility for the management and accounting for all deposits or credits to the bank statement to his authorised designate, who is normally the designated official; • Allocate the responsibility for the management and accounting for all debits to the bank statement cheques, stop orders, transfers and other debits to the designated official; • Allocate the responsibility for the preparation of the bank reconciliation to an authorised designate; • Allocate the responsibility for retrieving information from the bank to an authorised designate; • Check the accuracy of the bank reconciliation on a regular basis; • Determine the frequency of performing the bank reconciliation (either weekly or monthly). | Ongoing | Chief Financial Officer/Authorised Designate | No | Banking and Investment Policy |

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| 3. | Cash Management Procedures: | | | | |
| 3.1 | <p>The Chief Financial Officer must:</p> <ul style="list-style-type: none"> • Be responsible for the Municipality's cash flow management; • Determine the format for cash flow reports and the period of cover; • Determine the likely dates for receipt of grants from government and the estimated amounts; • Determine procedures for maximising interest on surplus funds; • Determine which officials are to receive the cash flow report; | Ongoing | Chief Financial Officer | No | Banking and Investment Policy |
| 4. | Bank Deposits, Direct Transfers and Electronic Banking: | | | | |
| 4.1 | <p>The Chief Financial Officer must:</p> <ul style="list-style-type: none"> • Establish daily credits to the Council bank account and follow up to ensure that these deposits or credits are accounted for in the books of the Municipality; | Ongoing | Chief Financial Officer | No | Banking and Investment Policy |

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| | <ul style="list-style-type: none">• Identify full details of each credit timeously to avoid having to account for these credits in the suspense account;• Process the daily transfers or deposits into the Council's bank account into the accounting system by:<ul style="list-style-type: none">o Processing the credits through the Council's receipting procedures. In this event, it is desirable to keep these transactions separate to the normal transactions. A daily direct deposit control sheet should be completed as a record of what direct deposits have been processed; oro Journal vouchers with a supporting control sheet.• Record all unidentified credits (receipts) in a suitable register to facilitate future claims against the amount and follow up;• Balance the unidentified receipts register to the suspense account in the general ledger on a monthly basis. | | | | |
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| 4.2 | <p>The Chief Financial Officer must:</p> <ul style="list-style-type: none">• Verify all debits on the Council bank accounts to ensure that these entries are correct and accounted for;• Inspect the bank statements to confirm that the only debits on the account are: o Bank charges; | Ongoing | Chief Financial Officer | No | Banking and Investment Policy |
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| 4.3 | <ul style="list-style-type: none"> o Interest on overdraft; • o Electronic transfers such as transfers to salaries accounts; and o Electronic payments to suppliers; <p>Check the bank charges and interest amounts for reasonableness, and make out a payment voucher for processing to the ledger. This voucher should reflect the bank statement number and total costs per page;</p> <ul style="list-style-type: none"> • In the case of transfers to other Municipal bank accounts, verify the transfers back to the authorised transfer voucher that should have been authorised by the originating official. | Ongoing | Chief Financial Officer | No | Banking and Investment Policy |
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| 5. | Reconciliation of the Municipality's | | | | |
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| | Accounting Records to the Bank Statements: | | | | |
| 5.1 | Obtain the transfer batch report (report reflecting all payments made by electronic bank transfer/cheque list to creditors for the month). | Monthly | Chief Financial Officer | No | Banking and Investment Policy |
| 5.2 | Obtain bank statements from the bank on at least a monthly basis and do daily deposit reconciliation. | Daily / Monthly | Chief Financial Officer | No | Banking and Investment Policy |
| 5.3 | Identify all the direct debits on the statement and match to the corresponding vote from the direct debit vote register (including loan agreements, cell phone contracts, credit cards, rentals, service charges and dishonoured cheques). Process these debits by capturing to the relevant votes on the system. | Daily | Chief Financial Officer | No | Banking and Investment Policy |

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| 5.4 | Identify all the direct credits on the statement such as direct deposits by ratepayers, consumers and levy payers, subsidies and grants paid by National and Provincial Governments interest on investments and miscellaneous credits. Process these credits by capturing to the respective votes on the system. | Daily | Chief Financial Officer | No | Banking and Investment Policy |
| 5.5 | If the credit cannot be identified it is posted to the vote for unidentified receipts. | Daily | Chief Financial Officer | No | Banking and Investment Policy |
| 5.6 | Scrutinise bank charges for reasonableness and query with the bank if it appears too high. | Daily | Chief Financial Officer | No | Banking and Investment Policy |
| 5.7 | Match: <ul style="list-style-type: none"> Each electronic payment from the batch transfer report to the cashbook and bank statement; Each manual cheque payment to the | Daily | | No | Banking and Investment Policy |

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| 5.8 | <p>cashbook and bank statement; • Each deposit from the Cashier's deposit book to the cashbook/receipts listing and the bank statement;</p> <ul style="list-style-type: none"> • The bank charges from the bank statement to the cashbook; • The interest earned on investments from the bank statements to the cashbook; and • All other direct debits from the bank statements to the cashbook. | Monthly | Chief Financial Officer | No | Banking and Investment Policy |
| | If payments are matched on the cashbook and bank statement, then change the fields on the cashbook to indicate that the cheque was successfully presented. | Monthly | Chief Financial Officer | | |
| 5.9 | When all entries are processed, print the reconciliation. If all entries were correctly posted the balance as per the reconciliation statement will match the balances on the bank statement. If the balances do not match repeat the | Monthly | Chief Financial Officer | Yes | Banking and Investment Policy |
| | | Monthly | Chief Financial Officer | | |

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| 5.10 | process to detect the error. | | | Yes | Banking and Investment Policy |
| | Present the reconciliation to the Assistant Director and Chief Financial Officer for signature and approval. | Monthly | Chief Financial Officer | | |
| 5.11 | | | Chief Financial Officer | No | Banking and Investment Policy |
| | Reconciliation approved and signed by CFO. | Monthly | | | |
| 5.12 | | | | No | Banking and Investment Policy |
| | File and safeguard the approved reconciliation in a special file labelled Bank Reconciliation's and the presented cheques in numerical sequence. | | | | |
| 5.13 | | | | | |
| | Report according to the MFMA requirements. | Monthly | | | |
| 5.14 | | | | | |
| | Every month, write back all cheques older than 6 months and issue stop payments. | | | | |

**SUMMARY OF REQUIREMENTS OF MUNICIPAL FINANCE MANAGEMENT ACT
NO 56 OF 2003**

Note: In terms of Section 60 (2) of the Municipal Systems Act No.32 of 2000 the council may delegate the authority to take decisions on making investments on behalf of the municipality only to the executive mayor, executive committee or chief financial officer. The foregoing policy is based on the assumption that such authority has been delegated to the chief financial office

SECTION 7: OPENING OF BANK ACCOUNTS

Every municipality must open and maintain at least one bank account. This bank account must be in the name of the municipality, and all monies received by the municipality must be paid into this bank account or accounts, promptly and in accordance with any requirements that may be prescribed.

A municipality may not open a bank account:

- otherwise than in the name of the municipality;
- abroad; or
- with an institution not registered as a bank in terms of the Banks Act 1990.

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

SECTION 8: PRIMARY BANK ACCOUNT

Every municipality must have a primary bank account, and if the municipality has only one bank account that account is its primary bank account. If the municipality has more than one bank account, it must designate one of those bank accounts as its primary bank account. The following must be paid into the municipality's primary account:

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

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

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

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

SECTION 10: CONTROL OF MUNICIPAL BANK ACCOUNTS

The accounting officer of the municipality must administer 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 in to 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 authorization to a senior financial official to withdraw money or to authorize the withdrawal of money from a bank account 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 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 (interalia):

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

SECTION 22: PUBLICATION OF ANNUAL BUDGETS

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

SECTION 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 short falls 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 creditor bank over draft 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 accredit 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 asset out in Section 152 of the Constitution; or refinancing existing long-term debt subject to the requirements of Section 46 (5).

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

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

SECTION 64: REVENUE MANAGEMENT (EXCERPTS)

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

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

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

The accounting officer must take all reasonable steps to ensure that any funds collected by the municipality on behalf of another organ of state are transferred to that organ of state at least on a weekly basis, and that such funds are not used for purposes of the municipality.

SECTION 65: EXPENDITURE MANAGEMENT (EXCERPTS)

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

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

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

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

1 SECTION 70: IMPENDING SHORTFALLS, OVERSPENDING AND OVERDRAFTS

1.1 If any banking accounts show a net overdrawn position exceeding a prescribed period, the Accounting Officer must report this promptly to National Treasury, advising of:

- (i) The overdrawn amount/s;
- (ii) Reasons for overdrawn accounts; and
- (iii) The steps taken or to be taken to rectify the matter.