

AMAJUBA DISTRICT MUNICIPALITY



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

INDEX

- 1. Definitions**
- 2. Scope of the Policy**
- 3. Objectives of this Policy**
 - 3.1 Preservation and safety of Investments
 - 3.2 Portfolio diversification
 - 3.3 Liquidity
 - 3.4 Return on Investments
- 4. Effective Cash Management**
 - 5.1 Cash Collection
 - 5.2 Payment to Creditors
 - 5.3 Management of inventory
 - 5.4 Cash management programme
- 5. Standards of Care to be exercised when making an investments**
 - 6.1 Prudence
 - 6.2 Limiting exposure
 - 6.3 Ethics and Conflicts of Interest
 - 6.4 Payment of Commission
 - 6.5 Delegation of Authority
 - 6.6 Rating of Financial Institutions
 - 6.7 Bank Overdraft
 - 6.8 Borrowing
- 6. Legislative Framework and Regulations**
- 7. Authorised Investments**
 - 8.1 Permitted Investments
 - 8.2 Investments Denominated in Foreign Currencies prohibited
- 8. Investment Parameters**
 - 9.1 General Investment Practice
 - 9.2 Credit requirements
 - 9.3 Investment Managers
 - 9.4 The Process of Investment of Funds
- 9. Safekeeping and Custody**
- 10. Reporting**

- 11. Policy Review**
- 12. Control Over Investments**
- 13. Banking arrangements**
- 14. Policy review**
- 15. Policy Adoption**

ANNEXURES

Annexure I: Paraphrase of Requirements of Municipal Finance Management Act No.
56 Of 2003

Annexure II: Code of Practice

1. DEFINITIONS

In this policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Act and investment regulations, has that meaning, and -

“Short-term investments” means: any cash or liquid securities owned by a municipality or municipal entity which have a maturity date, and/or callable date reasonably expected to be exercised, that is equal to or less than one year;

“Long-term investments” means: any cash or liquid securities owned by a municipality or municipal entity which a maturity date, and/or callable date reasonably expected to be exercised, that is greater than one year;

“Investee” means: an institution with which an investment is placed or its agent; and

“Investment manager” means: a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act, 1989 (Act No. 55 of 1989) and Stock Exchanges Control Act, 1985 (Act No.1 of 1985), contracted by a municipality or municipal entity to-

- a) Advise it on investments.
- b) Manage investments on its behalf; or
- c) Advise it on investments and manage investments on its behalf

“Municipality” means Amajuba District Municipality

2. SCOPE OF THE POLICY

- 2.1 This Policy will apply to Amajuba District 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.
- 2.2 This Policy does not apply to a pension or 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.

3. PURPOSE AND OBJECTIVES OF THIS POLICY

- 3.1 The Council 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, and in a manner which will ensure that sufficient cash resources are available to finance the capital and operating budgets of the Municipality.
- 3.2 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.
- 3.3 This policy 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 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. The Municipality must adhere to the following at all times:

3.3.1 Portfolio Diversification

The municipality must take all reasonable and prudent steps, consistent with this Policy and according to the standard of care as prescribed in this Policy,

to diversify its investment portfolio across institutions, types of investment and investment maturities.

3.3.2 Liquidity

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated operating requirements.

3.3.3 Return on Investments

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 a municipality or municipal entity.

3.3.4 Preservation and safety of investments

The probable safety of the investment must in the first instance be considered when making investments. Preservation of capital is accomplished through placement of funds with creditworthy institutions and through portfolio diversification.

4. EFFECTIVE CASH MANAGEMENT

4.1 Cash Collection

- 4.1.1 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.
- 4.1.2 The respective responsibilities of the Chief Financial Officer and other heads of departments in this regard is defined in a code of financial practice approved by the municipal manager and the Chief Financial Officer, and this code of practice is attached as Annexure II to this policy.
- 4.1.3 The unremitant support of and commitment to the Municipality's credit control Policy, both by the Council and the Municipality's officials, is an integral part of proper cash collections, and by approving the present Policy the Council pledges itself to such support and commitment.

4.2 Management of Inventory

- 4.2.1 Each Head of Department shall ensure that such department's inventory levels do not exceed **normal operational requirements** in the case of items which are not readily available from suppliers, and **emergency requirements** in the case of items which are readily available from suppliers.
- 4.2.2 Each Head of Department shall periodically review the levels of inventory held, and shall ensure that any surplus items be made available to the Chief Financial Officer for sale at a public auction or by other means of disposal, as provided for in the Municipality's supply chain management policy.

4.3 Cash management programme

- 4.3.1 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 monthly 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.
- 4.3.2 The Chief Financial Officer shall report to the Executive Committee 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. 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.

5. STANDARDS OF CARE TO BE EXERCISED WHEN MAKING INVESTMENTS

Standards of care apply to investments by the Municipality, its municipal entity and an investments manager acting on behalf of the Municipality or municipal entity.

5.1 Prudence

5.1.1 Investments by a municipality or municipal entity or by an investment manager on behalf of a municipality or entity may be made with such judgment 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.

5.1.2 Investments may not be made for speculation but must be genuine investments.

5.1.3 Investments must in the first instance be made with the primary regard being to the probable safety of the investment and in the second instance to the liquidity needs of the Municipality or municipal entity and lastly probable income derived from the investment.

5.2 Limiting Exposure

5.2.1 Where large sums of money are available for investment the Chief Financial Officer shall ensure that they are invested with more than one institution, wherever practicable, in order to limit the risk exposure of the Municipality.

5.3 Ethics and Conflicts of interest

5.3.1 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.

5.3.2 Interest rates offered should never be divulged to another institution.

5.4 Payment of Commission

- 5.4.1 No fee, commission or other reward may be paid to a councilor or official of the Municipality or to the director of a municipal entity or to a spouse of close family member of such councilor, director of official in respect of any investment made or referred by a municipality or municipal entity.
- 5.4.2 If an investee pays any fee, commission or other reward to an investment s manager in respect of any investment made by the Municipality or municipal entity, both the investee and the investment manager must declare such payment to the council of the Municipality or to the board of a municipal entity by way of a certificate disclosing full details of the payment.

5.5 Delegation of Authority

- 5.5.1 Authority to manage the investment portfolio of a municipality or municipal entity:
- 5.5.2 Short- term investments
- a) The Accounting Officer of a municipality, with reference to Section 11(h) of the Municipal Finance Management Act or the Accounting Officer of a municipal entity may delegate in writing such decisions to make investments, provided that such delegation is done in terms of sections 79 and 106 of the Municipal Finance Management Act.
- b) Any delegation to invest funds must be in terms of the provisions of the investment policy and after taking due cognizance of the liquidity requirements of the Municipality or municipal entity.
- 5.5.3 Long – term investments

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

5.6 Rating of Financial Institutions

- 5.6.1 The Accounting Officer 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.

5.7 Bank Overdraft

- 5.7.1 The Municipality or municipal entity must ensure that when investments are made, that these investments will not cause the bank account to be in an overdraft

5.8 Borrowing

- 5.8.1 No borrowing by the Municipality or municipal entity can be undertaken for investment purposes and reference is made to a Chapter 6 and section 108 of the Municipal Finance Management Act.

6. LEGISLATIVE FRAMEWORK AND REGULATIONS

- 6.1 The legislative framework governing investment decisions are:

- a) Municipal Finance Management Act 56 of 2003
- b) Municipal Investment Regulations published under Government Gazette 27431 on 1 April 2005.
- c) Municipal Supply Chain Management Regulations published under Government Gazette 27636 on 30 May 2005.

7. AUTHORISED INVESTMENTS

7.1 Permitted Investments

7.1.1 In terms of the municipal investment regulations, a municipality or municipal entity may only invest funds in any of the following investment types as may be appropriate to the anticipated future need of the funds.

- 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) Bankers' 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 a 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.

7.2 Investments denominated in foreign currencies prohibited

7.2.1 In terms of the investment regulations the Municipality may make an investment only if the investment is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.

8. INVESTMENT PARAMETERS

8.1 General Investment Practice

- 8.1.1 The following are approved institutions through which Amajuba District Municipality may invest:
- a) ABSA,
 - b) FNB,
 - c) Standard Bank,
 - d) Nedbank,
 - e) Investec,
 - f) Capitec,
- as long as these institutions still have a rating of AA and above, and any other bank registered in terms of the Bank Act, which also has a rating of AA or AAA.
- 8.1.2 The Municipality shall only invest in deposits and securities, which render either a risk free or low risk rate of return
- 8.1.3 All investments made by Amajuba District Municipality or its municipal entities must be in the name of the Amajuba District Municipality or its municipal entities.

8.2 Credit Requirements

- 8.2.1 The Municipality or municipal entity must take all reasonable and prudent steps consistent with its investment policy and according to the standard of care prescribed in this Policy; to ensure it places its investments with credit-worthy institutions.
- 8.2.2 A municipality or municipal entity must liquidate an investment that no longer has the minimum acceptable credit rating specified in its investment policy.

8.3 Investment Managers

- 8.3.1 Investment managers may be appointed to advise on investments in order to maximize interest earned without jeopardizing liquidity.
- 8.3.2 Any contact with an investment manager must stipulate that the investment policy will apply to the Investment manager and include the Policy as an annexure.
- 8.3.3 The conditions for their use including their liability in the event of non-compliance with this Policy must be included in the bidding documentation specifying mandates that minimize risk and place the institutions on equal footing.

8.4 The Process of Investment of Funds

- 8.4.1 The process of investment of funds must in the first instance be made with the primary regard being to the probable safety of the investment, in the second instance to the liquidity needs of the Municipality and lastly to the probable income derived from the investment.
- 8.4.2 The Accounting Officer must in writing, determine the surplus funds available and the period for which these funds can be invested.
- 8.4.3 The investments of funds must be done with due care and through the invitation and selection of competitive bids or offers in accordance with Part 1 of Chapter 11 of the Municipal Finance Management Act. All documentation and certificates must be entered into a register, safely stored and controlled.
- 8.4.4 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.
- 8.4.5 Short-term investments

- a) Three quotations for interest rates shall be acquired from qualifying institutions for differing types of deposits and maturities. The lowest quote for each deposit type and maturity shall be awarded the contract.

8.4.6 Long-term investments

- a) Competitive bids shall be invited in terms of the SCM policy and be evaluated using the 90/10 or 80/20 principle as appropriate.
- 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.

8.4.7 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 10.4 above unless if Council wishes to utilize the original money or the interest.

8.4.8 Early withdrawal of invested funds

- a) When investing the funds with the banking institution the Chief Financial Officer shall ensure that such funds are not withdrawn earlier than the maturity date agreed upon, by doing so 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 Municipal Manager may grant approval to withdraw the invested funds after he/she has satisfied him/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.

9. SAFEKEEPING AND CUSTODY

9.1 The Accounting Officer 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

10. CONTROL OVER INVESTMENTS

10.1 The Accounting 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.

10.2 The Accounting Officer shall ensure that all interest properly due to the Municipality is timeously received, and shall take appropriate steps or cause such appropriate steps to be taken if interest is not fully or timeously received.

10.3 The Accounting Officer shall ensure that all investment documents and certificates are properly secured.

11. BANKING ARRANGEMENTS

- 11.1 The Municipal Manager is responsible for the management of the Municipality's bank accounts, but may delegate this function to the Chief Financial Officer. The Municipal Manager and Chief Financial Officer are authorised at all times to sign cheques and any other documentation associated with the management of such accounts. The Municipal Manager, in consultation with the Chief Financial Officer, is authorised to appoint two (2) 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 Executive Committee on a monthly basis, as part of the report dealing with the Municipality's investments.
- 11.2 In compliance with the requirements of Section 8 of the Municipal Finance Management Act, the Municipal Manager shall open a bank account for ordinary operating purposes. 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.
- 11.3 The Municipal Manager shall invite tenders for the placing of the municipalities bank accounts within six (6) 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 Municipal Manager, in consultation with the Chief Financial Officer is of the opinion that the services offered by the Municipality's current bankers are materially defective, and the Executive Committee agrees to the invitation of such tenders.

12. REPORTING

- 12.1 In terms of Municipal Investment regulations the Accounting Officer must, within 10 working days after the end of each month, submit to the Mayor, a report describing, in accordance with generally recognized accounting practice, the investment portfolio of the Municipality or municipal entity as at the end of the month.
- a) The above-mentioned report must set out the following:
 - b) The market value of each investment as at the beginning of the reporting period;
 - c) Any changes to the investment portfolio during the reporting period;

- d) The market value of each investment as at the end of the reporting period.
- e) Fully accrued interest and yield for the reporting period.

12.2 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 operating 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.

13. POLICY REVIEW

13.1 This Policy will be reviewed annually by the Accounting Officer to ensure congruence with changing needs, technology, evolving regulatory standards with the MFMA, Investment regulations, private sector best practices and other applicable legislation.

13.2 The process to be followed for the annual revision of this Policy will be via full council.

14. POLICY ADOPTION

14.1 This Policy has been considered and approved by the **COUNCIL OF AMAJUBA DISTRICT MUNICIPALITY** as follows:

Resolution No:.....

Approval 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, executive committee or Chief Financial Officer. The foregoing policy is based on the assumption that such authority has been delegated to the Chief Financial Officer.

SECTION 7: OPENING OF BANK ACCOUNTS

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

A municipality may not open a bank account:

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

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

SECTION 8: PRIMARY BANK ACCOUNT

Every municipality must have a primary bank account, and if the municipality has only one bank account that account is its primary 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 the entire 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 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 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 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 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 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.

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

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 Executive Committee:-

- 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 co-ordinated by the Chief Financial Officer in terms of any policies determined by the Council. If it is clear that any revenues are not recovered or likely to be recovered after the necessary steps have been taken, the Chief Financial Officer shall report the matter adequately and timeously to the Executive Committee.
- 4.4** The Chief Financial Officer shall ensure that adequate provision is maintained to cover the writing off or 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 municipalities banker(s), or less frequently if so approved by the Chief Financial Officer.

6. POLICY ADOPTION

This policy has been considered and approved by the **COUNCIL OF AMAJUBA DISTRICT MUNICIPALITY** as follows:

Resolution No:.....

Approval Date:.....