

For adoption with the tabled Budget: 2023/24 MTREF

Date: 30/05/2023

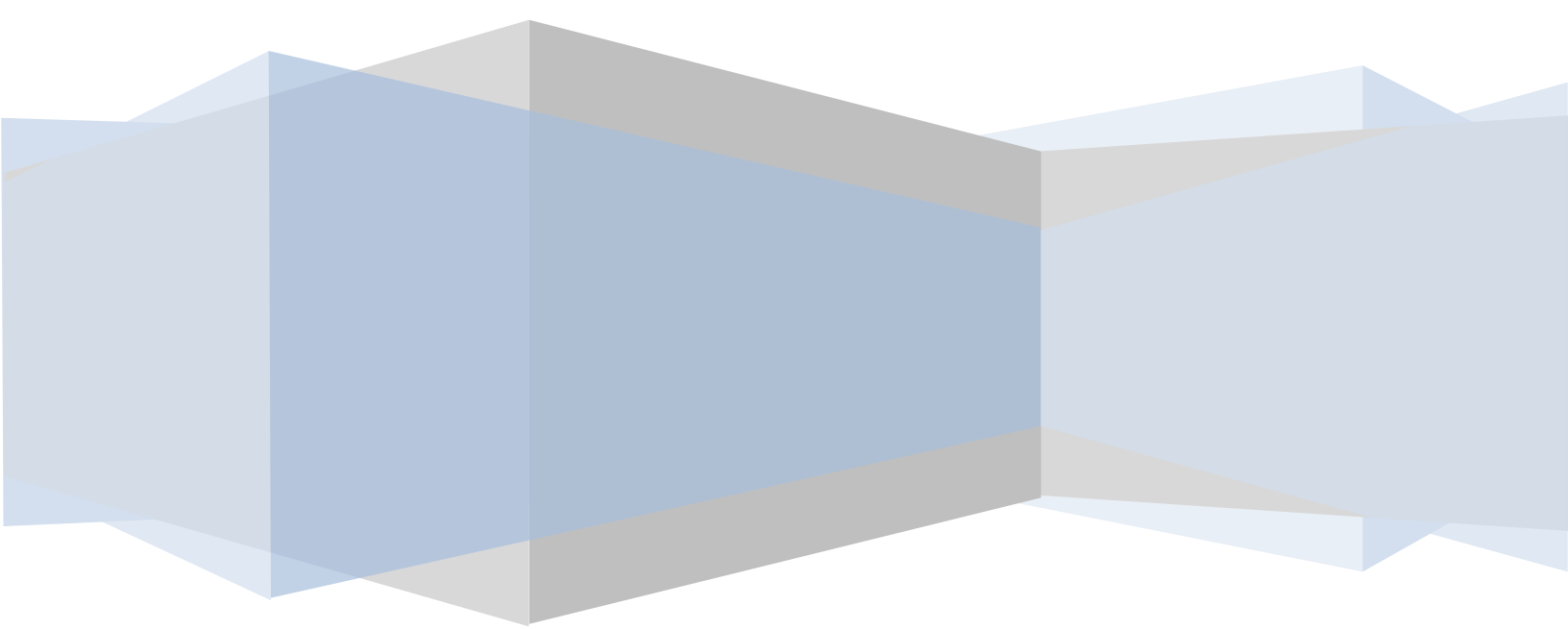
Council Resolution: A084/23

MAGARENG



MUNICIPALITY

MAGARENG BANKING AND INVESTMENT POLICY



Final Banking and Investment Policy

Table of Contents

| | |
|--|---------|
| PART 1: DEFINITIONS..... | 3-4 |
| PART 2: ACCOUNTING STANDARDS..... | 5-6 |
| PART 3: OBJECTECTIVES..... | 7 |
| PART 4: LEGAL COMPLIANCE | 7 -8 |
| PART 5: EFFECTIVE CASH MANAGEMENT..... | 8-11 |
| PART 6: INVESTMENT ETHICS | 11-13 |
| PART 7: INVESTMENT PRINCIPLES | 13-15 |
| PART 8: CONTROL OVER INVESTMENTS..... | 15-16 |
| PART 9: OTHER EXTERNAL INVESTMENTS..... | 16-19 |
| PART 10: BANKING ARRANGEMENTS..... | 19-20 |
| PART 11: RAISING OF DEBT | 20 |
| PART 12: INVESTMENTS FOR THE REDE OF LONG- TERMLIABILITIES..... |21 |
| PART 13: INTEREST ON INVESTMENTS | 22 |
| PART 14: ANNEXURE:1 PARAPHRASE OF REQUIREMENTS OF MFMA NO 56 OF 2003 | 22-29 |
| PART 15: ANNEXURE 11: CODE OF PRACTICE IN REGARD TO PAYMENTS, REVENUE COLLECTION & STORES | 29-31 |

Final Banking and Investment Policy

PART 1:DEFINITIONS

- **Accounting standards Board**-is a legislative entity established by chapter 11 of the public finance management Act no 1 Of 1999 to set standards of generally recognized accounting practice as required by section 216 (1) (a) of the constitution.
- **Cash** comprises cash on hand and demand deposits.
- **Cash equivalents**- are short-term, highly liquid investments that are readily convertible to known amounts of cash and which subject to an insignificant risk of changes in value.
- **Cash flow** -are inflows and outflows of cash equivalents
- **Fair value** is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.
- **Financial investment register**- is the controlled register recording the financial and other key details for all municipality investments recognized in according with the policy.
- **GAMAP**- general accepted municipal accounting practice. This is being phased out and replaced by general recognized accounting practice.
- **GRAP**- general recognized accounting practice as required by section 216 (1) (a) of the constitution to ensure transparency and expenditure control.
- **Interest**- 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.
- **Investments**- means placing the funds of the municipality on the deposit with a financial institutions in order to obtain interest or the equivalent.
- **Investment officer**- is the municipal official with the delegated responsibility of administering the investment and investment processes.
- **Investment manager**- is the natural person or legal entity that is a portfolio manager registered in terms of the financial markets control act , 1989
- **Investment properties**- are properties that are acquired for economic and capital gains.
- **Liquidity**- means the ability to make funds available to meet all anticipated obligations and maintaining a prudent reserve to meet unanticipated cash requirements.It is also the ability to change an investment into its cash equivalent on short notice.
- **Long-term investments**- are fund not immediately required and deposited for a period exceeding one year, either as security to loans obligation or as an interest investments.
- **Maturity**-is the date upon which the principal or stated value of an investment becomes due and payable.
- **Municipal manager**- means a person appointed in terms of section 82 of the municipal structures Act

Final Banking and Investment Policy

- **Risk analysis-** means that the overall value of funds shall not be diminished in the process of securing and investing those funds or over the duration of the investment
- **Short-term investments-** are fund not immediately required and deposited for a period not exceeding one year.
- **Trust money** – Is the money held in trust on behalf of third parties in a trust contemplated in terms of section 12 of the municipal financial management act(MFMA)
- **The Act-** means the municipal financial management act.
- **The regulation-** means the municipal investment regulation no. R 308 Gazetted on 1 April 2005 in gazette number 27431

Final Banking and Investment Policy

PART2 : APPLICABLE ACCOUNTING STANDARDS

1.1 GRAP 104 Financial Instruments sets out the requirements and guidelines for the impairment of financial assets subsequently carried at amortised cost.

1.2 GRAP 104.57 “An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall apply paragraphs .61 to .63 (for financial assets carried at amortised cost) and paragraph .64 (for financial assets carried at cost) to determine the amount of any impairment loss.

1.3 GRAP 104.58 “A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.”

1.4 GRAP 104.61 “If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.”

1.5 GRAP 104.62 “An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see paragraph .58). If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.”

1.6 GRAP 104 par 49 states, “The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by

Final Banking and Investment Policy

market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.”

1.7 As per the application guide – AG98 “Underlying the definition of fair value is a presumption that an entity is a going concern without any intention or need to liquidate, to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value is not, therefore, the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale. However, fair value reflects the credit quality of the instrument.”

PART 2: OBJECTIVES

2.1 Primary objective

2.1.1 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.

2.1.2 The council therefore has a responsibility to invest these public revenues knowledgeable and judiciously and must be able to account fully to the community in regard to such investments.

2.1.3 The investment policy of the municipality is therefore aimed at gaining the optimal return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes. The effectiveness of the investment policy is dependent on the accuracy of the municipality's cash management programme, which must identify the amounts surplus to the municipality's needs, as well as the time when and period for which such revenue are surplus.

2.2 SPECIFIC OBJECTIVES

2.2.1 To ensure Magareng Local Municipality and the Chief Financial Officer. As trustee of the public funds, exercise their obligation to ensure that cash resources are preserved and safe guarded against loss

2.2.2 To ensure the investments of Magareng Local Municipality are managed in the most efficient, effective and economical manner possible.

2.2.3 To ensure that appropriate level of investment diversification is implemented to achieve the above objectives.

2.2.4 To ensure the liquidity of Magareng Local Municipality are appropriately planned and provided for through the investment process.

2.2.5 To clearly lay down broad investment parameters to ensure the reasonable return on surplus cash without incurring unacceptable risk of capital loss.

2.2.6 To ensure compliance and transparency in all processes.

Final Banking and Investment Policy

PART 3: LEGAL COMPLIANCE

Magareng Municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with provision of and any prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003.

A paraphrase of the provisions of this Act is attached as Annexure 1 to this policy.

PART 4: EFFECTIVE CASH MANAGEMENT

4.1 Responsibility/accountability

In terms of the Municipal Financial Management Act, 2003, chapter 8, section 16, the municipal is the accounting officer of the municipality. However, he may delegate in terms of section 79 (1) certain duties/ tasks to designated officials, referred to section 77(1), who would be accountable to him.

4.2 Efficient Cash Collection Procedures

All monies due to Magareng Municipality must be collected as soon as possible, either on or immediately after due date, and bank on a daily basis.

The respective responsibilities of the Chief Finance Officer and other Heads of Departments in this regard is defined in a code of financial practice approved by the Municipal Manager and this code of practice is attached as Annexure II to this policy.

The unremitting support of and commitment to the Municipality `s Credit Control Policy, both by the Council and the Municipal Officials, is an integral part of proper cash collections, and by approving the present policy the Council pledges itself to such support and commitment

4.3. Payment to Creditors

The Chief Finance Officer shall ensure that all tenders and quotations invited by and contracts entered into by Magareng Municipality stipulate payment terms favorable to the Municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is

Final Banking and Investment Policy

rendered to or goods are received by the Municipality. This rule shall be departed from only where there are financial incentives for Magareng Municipality to effect earlier payment, and any such departure shall be approved by the Chief Finance Officer before any payment is made.

In the case of small, micro and medium enterprise (as defined by the Act), where such a policy may cause financial hardship to the contractor/service provider, payment may be effected at the conclusion of the month during which the service is rendered or within fourteen days of the date of such service being rendered, whichever is the later. Any such early payment shall be approved by the Chief Finance Officer before any payment is made.

Notwithstanding the foregoing policy directives, the Chief Finance Officer shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if the Chief Finance Officer determines that there are financial incentives for Magareng Municipality to do so.

The Chief Finance Officer shall not ordinarily process payment for accounts received more than once in each calendar month, such processing shall take place on or about the end of the month concerned. Wherever possible, payment shall be effected by means of electronic transfers rather than by cheques.

Special payment to the creditors shall only be made with the express approval of the Chief Finance Officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal bi-week/week/ month end processing. The Chief Financial Officer shall ensure that payments to suppliers are made within 30 days of receiving the valid tax invoice provided that the service/goods was rendered/delivered satisfactory.

4.4 Management of Inventory

Each Head of Department shall ensure that each department `s inventory level 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.

Each Head of Department shall periodically, review the level of inventory held and shall ensure that any surplus items be available to the Chief Finance Officer for sale at a public auction or by other means of disposal, as provided for in the Municipality `s Supply Chain Management Policy.

Final Banking and Investment Policy

4.5 Cash Management Programme

The Chief Finance Officer shall prepare an annual estimate of the Municipality `s cash flows divided into calendar months, and shall update this estimate on a weekly basis. The estimates shall indicate when and for what period and amounts surplus revenue may be invested, when and for what amounts investment will have to be liquidated, and when – if applicable – either long term or short term debts must be incurred. Heads of Departments shall in this regard furnish the Chief Finance Officer with all such information as is required, timeously and in the format indicated.

The Chief Finance Officer shall report on a monthly basis 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 shall be divided into calendar months, and in reporting the Chief Finance Officer shall provide comments and 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 to the Municipality `s investment together with appropriate details of the investments concerned. The above mentioned report must first be approved by the Municipal Manager.

The Chief Financial Officer shall ensure that sufficient cash provision in the municipality's bank account is maintained for the payment of:

- Salaries
- General Expenditure
- Capital cost (Interest and redemption)
- Maintenance and repairs
- Payment to the creditors and suppliers and
- Contractual obligations including lease contracts

Due to the high bank charges associated with cheque payments, payment shall as far as possible be done by electronic transfer-subject to strict control measures.

4.6 Management of Bank Overdraft

Where the municipality operates on a bank overdraft, the council may increase the current credit facility only when it is unavoidable to do so in terms of cash

Final Banking and Investment Policy

requirements, whether for the capital or operating budgets or to settle any other obligations.

The bank overdraft must be repaid within the financial year that it was incurred, and the council shall not renew or refinance a bank overdraft or short term debt, whether its own debt or that of any other entity, where such renewal of refinancing will have the effect of extending the overdraft or short term debt into a new financial year.

PART 5: INVESTMENT ETHICS

The Chief Finance Officer shall be responsible for investing the surplus revenues of the Municipality and shall manage such investments in consultation with the Accounting Officer and in compliance with any policy directives formulated by the Council and prescriptions made by the Minister of Finance.

In making such investments the Chief Finance Officer, shall at all times have only the best consideration of Magareng Municipality in mind and except for the outcome of the consultation process with the Accounting Officer shall not accede to any influence by or interference from Councilors, Investment Agents or Institutions or any other outside parties.

No Official or Councillor may accept any gift, other than an item having such negligible value that it cannot possibly be construed as anything other than a token of goodwill by the donor, from any investment agent or institution or any party with which Magareng Municipality has made or may potentially make an investment. The gift received shall be in line with council policies

Investments must in the first instance made with 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

The municipality may not borrow money specifically for reinvestment, as this would mean interest rates would have to be estimated in advance, which can be seen as speculation with public funds.

The municipality may not invest in excess of R100m with a single institution.

Final Banking and Investment Policy

All investments made by or on behalf of the Municipality must be made in the name of the Municipality.

The Municipality shall take reasonable steps to diversify its investment portfolio across investees, type of investment and investment maturities.

Long-term investments should be made with an institution with at least a minimum F rating (where F refers to low risk institutions).

Short-term investments should be made with an institution with at least a minimum BBB+ rating. For the list of approved institutions to invest in please refer Annexure II

5.1 DELEGATION OF POWERS

| ACTIVITY | RESPONSIBILITY |
|---|---|
| Alter policy | Council |
| Approve principal banker | Council |
| Approval of investments of a period exceeding 12 months | Council |
| Open/Close bank account | Municipal Manager |
| Cheque Signatories | Municipal Manager and Chief Financial Officer/HOD Corporate Services/HOD Technical Services Municipal Manager/Chief Financial Officer and Finance Managers |
| Electronic Transfers | |
| Final Authorization of payments | Municipal Manager/Chief Financial Officer and Finance Managers |
| Uploading of Transactions | Chief Financial Officer/Finance Managers/Expenditure Clerks |
| Capturing of transactions | Expenditure Clerks Financial Interns |

Final Banking and Investment Policy

| | |
|---------------------------------------|---|
| Limits per transaction | Municipal Manager-No Limits Chief Financial Officer-No limits Finance Managers-R1 to R3 000 000.00 and as per Chief Financial Officer written delegation. |
| Early payment/settlement of creditors | Chief Financial Officer |
| Manage investments | Chief Financial Officer |
| Approve new borrowings | Council |
| Manage loans | Chief Financial Officer |
| Approve early redemption of loans | Municipal Manager |

PART 6: INVESTMENT PRINCIPLES

6.1 Limiting Exposure

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

Investments which are determined to be inconsistent with the objective of preserving and protecting the principal amount are prohibited.

6.2 Risk and Return

Although the objective of the Chief Finance Office in making investment on behalf of Magareng Municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved with regard to both the financial institution and the investment instrument concerned. No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions. The Chief Financial Officer shall consider any other administrative and operational risk such as failure to perform by the investment institution in his/her investment decision. Deposit shall be made only with registered deposit-taking institutions (see 5.4. below).

Final Banking and Investment Policy

6.3 Payment of Commission

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

No fee, commission or other reward may be paid to a councillor or official of a municipality or to a spouse or close family member of such councillor or official, in respect of any investment made or referred by a municipal entity

6.4 Call Deposits and Fixed Deposits

Before making any call or fixed deposits, the Chief Finance Officer, shall obtain quotation from at least two financial institutions.

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

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

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

No attempt must be made to make institutions compete with each other as far as their rates and terms are concerned.

Final Banking and Investment Policy

In considering the investment of funds, intermediaries must not be employed to make investments on behalf of the council.

Investment confirmation *letters* must be issued by the related financial institution and be forwarded to the CFO and Expenditure Manager for safekeeping.

6.5 Restriction of Tenure of Investments

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

PART 7: CONTROLS OVER INVESTMENTS

The Chief Finance 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 shall be indicated.

The Chief Finance Officer shall ensure that all interest and capital properly due to Magareng Municipality are timeously received, and take appropriate steps or cause such appropriate steps to be taken if interest or capital is not fully or timeously received.

The Chief Finance Officer shall ensure that all investment documents and certificates are properly secured in a fireproof safe with segregation control over the access to such safe, or are otherwise lodged for safekeeping with the Municipality `bankers or attorneys.

The Chief Financial Officer shall ensure that the general ledger is reconciled to with the investment certificates on an annual basis.

7.1 PERFORMANCE EVALUATION

Magareng Local Municipality must constantly monitor the performance of funds regarding the returns. The performance must be monitored on a regular basis and measured against national best practices and benchmarks.

Final Banking and Investment Policy

The duly authorized officials must ensure that there is growth in the capital invested with the financial institution by Magareng Local Municipality. Should there be any reduction or lack of growth, the Chief Financial Officer should be informed and advised accordingly, and arrangements should be made to invest the funds with another institution that may produce positive results and increase the principal amount.

7.2 STANDARD OF CARE TO BE EXERCISED WHEN MAKING INVESTMENTS

Investment by the municipality or any investment manager on behalf of the municipality

- a) 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) may not be made for speculation but must be genuine investment; and
- c) must in first instance be made with 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.

PART 8: OTHER EXTERNAL INVESTMENTS

From time to time it may be in the best interest of Magareng Municipality to longer term investments in secure stock issued by the national government, Eskom or any other parastatal or institution, or another reputable Municipality. In such case the Chief Finance Officer, must be guided by the best rates of interest, pertaining to the specific type of investment, which Magareng requires, and to the best and most secure instrument available at the time.

No investment with a tenure exceeding twelve months shall be made without the prior approval of Council and without guidance having been sought from the Municipality's banker or any other credible investments advisers on the security and financial implications of the investment concerned. If an advisor is engaged for this purpose the Chief Financial Officer shall ensure that such advisor has the credentials specified for the "Investment Manager" in Regulation 1 to the Act.

Final Banking and Investment Policy

8.1 Permitted Investments

From time to time, it may be in the best interest of the municipality to make longer-term investments. In such cases the CFO in consultation with the Municipal manager, must be guided by the best rates of interest pertaining to the specific type of investment, which the municipality requires, and to the best and most secure instrument available at the time. A municipality or municipal entity may invest funds only in any of the following investment types:

- a) Securities issued by the national government;
- b) Listed corporate bonds with an investment grade rating from a nationally or internationally recognised credit rating agency.
- c) deposits with banks registered in terms of the Banks Act, 1990 (Act No 94 of 1990), with investment grade rating of not lower than "A" from a nationally or internationally recognized credit rating agency;
- 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; with investment grade rating of not lower than "A" from a nationally or internationally recognized credit rating agency;
- g) Guaranteed endowment policies (with credit worthy institutions), with the intention of establishing a sinking fund;
- h) Repurchase agreements with banks registered in terms of the Banks Act, 1990
- i) Municipal bonds issued by a municipality; and

Final Banking and Investment Policy

- 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.

8.2 Prohibited investments

The Municipality shall not be permitted to make the following investments:

- a) investments in listed or unlisted shares, or unit trusts;
- b) investments in stand-alone derivative instruments;
- c) investments denominated in, or linked to, foreign currencies;
- d) investments in market linked endowment policies;
- e) The Municipality shall not borrow for the purpose of investing;
- f) Any investment in capital or money market instruments shall be held until maturity. The Municipality shall not buy and sell these instruments

8.3 DIVERSIFICATION OF INVESTMENTS

The Municipality must regularly monitor the diversification of its investment portfolio and take appropriate action to ensure the levels of diversification required by this policy and supporting procedures are reached and maintained.

Investments must be spread across different type of investments and maturities according to liquidity requirements. Investments must be spread across different institutions as selected by the Chief Financial Officer

8.4 CREDIT REQUIREMENTS

The municipality must take all reasonable and prudent steps consistent with its investment policy and according to the standard of care set out below, to ensure that it places its investments with creditworthy institutions.

Final Banking and Investment Policy

Investments by municipality

- must 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 affair;
- may not be made for speculation but must be a genuine investment; and
- must in the first instance be made with 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.
- all investments must be carried out in accordance with the Investment Regulations as stipulated in the MFMA.

Magareng LM must regularly monitor its investment portfolio and when appropriate, liquidate an investment that no longer has the minimum acceptable credit rating as specified in its investment policy.

PART 9: BANKING ARRANGEMENTS

The Municipal Manager is responsible for the management of the municipality's bank accounts, but may delegate this function to the Chief Finance Officer. The Municipal Manager and the Chief Finance Officer are authorized at all times to sign cheques and any other documentation associated with the Management of such accounts. The Municipal Manager in consultation with the Chief Finance Officer is authorized to appoint two or more addition signatories in respect of such accounts, and to amend such appointments from time to time. The list of current signatories shall be reported to Council on a monthly basis, as part of the report dealing with Municipality's investments.

In compliance with the requirement of good governance, the Municipal Manager shall open a bank account for ordinary operating purpose, and shall further maintain a separate account for each of the following:- The administration of external finance fund and of the asset financing reserve (If these accounts are legally permissible)

One or more accounts shall also be maintained for the following: - capital receipts in the form of grants, donations or contribution from whatever sources

Final Banking and Investment Policy

and trust funds and the municipality's self-insurance reserve (if legally permissible). In determining the number of additional accounts to be maintained, the Municipal Manager, in consultation with the Chief Finance Officer shall have regard to the likely number of transactions affecting each of the account referred to. Unless there are compelling reasons to do otherwise, and the Council expressly so directs, the entire Municipality's bank accounts shall be maintained with the same banking institution to ensure pooling of balances for purpose of determining the interest payable to the Municipality.

The Municipal Manager shall invite tenders for placing of the Municipality's bank accounts every five years, such new banking arrangements to 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 Finance Officer is of the opinion that the services offered by the Municipality's current banker are materially defective, or not cost-effective, and Council agrees to the invitation of such tenders.

The bank account contract period shall be for five years

PART9: RAISING OF DEBT

The Municipal Manager is responsible for the raising of debt, but may delegate this function to the Chief Finance Officer, who shall then manage this responsibility in consultation with the Municipal Manager. All debt shall be raised in strict compliance with the requirements of the Municipal Finance Management Act 2003, and only with the prior approval of Council.

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 components of the approved annual budget or adjustment budget.

Short term debt shall be raised only when it is unavoidable to do so in terms of cash requirements, whether for the capital or operating budgets or to settle any other obligation, and provided the need for such short term debt, both as to extent and duration, it clearly indicate in the cash flow estimates prepared by the Chief Finance Officer. Short term debt shall be raised only to anticipate a certain long term debt agreement or a certain inflow of operating revenues.

Final Banking and Investment Policy

CREDIT REQUIREMENTS

PART: 10 INVESTMENTS FOR THE REDEMPTION OF LONG TERM LIABILITIES

In managing the Municipality `s investment, the Chief Finance Officer shall ensure that whenever a long term (non annuity) loan is raised by the Municipality,an amount is invested at least annually equal to the principle sum divided by the period of the loan, Such investment shall be made against the bank account maintained for the external finance fund, and shall be accumulated and used only for the redemption of such loan on due date. The making of such investment shall be approved by Council at the time that the loan itself is approved.

If the loan raised is not a fixed term loan, but an annuity loan , the Chief Finance Officer shall ensure that sufficient resources are available in the account maintained for the external finance fund to repay the principal amounts due in respect of such loan on the respective due dates.

PART:11 INTERESTS ON INVESTMENTS

The interest accrued on all the Municipality `investments shall, in compliance with the requirement of generally accepted municipal accounting practice, be recorded in the first instance in the Municipality `s operating account as ordinary operating revenues, and shall thereafter be appropriated, at the end of each month, to the fund or account in respect of which such investment was made.

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

If the accrual of interest to the external finance fund, unutilized capital receipts and trust funds results in a surplus standing to the account of such funds, an amount surplus to the resources required in respect of such funds or accounts, such surplus amount shall be credited by the Chief Finance Officer to the appropriation account and re-appropriated to the asset financing reserves.

PART:12 ANNEXURE: 1 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 investment on behalf of the Municipality only to the Chief Finance Officer. The foregoing policy is based on the assumption that such authority has been delegated to the Chief Finance Officer.

SECTION 7: OPENING OF BANK ACCOUNTS

Every Municipality must open and maintain at least one bank account. The 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 account 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

Final Banking and Investment Policy

- 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, within 90 days after the municipality has opened a new bank account, 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.

Notification to the Auditor-General, within 30 days after the end of the financial year, by all investees of any investment held by them for the Municipality during that year.

Reporting Requirements (Reg 9 of the Municipal Investment Regulations)

The Municipal Manager must within 10 working days of the end of each month, as part of the section 71 report required by the Act, submit to the mayor of the Municipality a report describing in accordance with generally recognised accounting practise the investment portfolio of Magareng as at the end of the month.

The report referred to above must set out at least:

- d) The market value of each investment as at the beginning of the reporting period;
- e) Any changes to the investment portfolio during the reporting period;
- f) The market value of each investment as at the end of the reporting period;
- g) Fully accrued interest and yield for the reporting period.

SECTION:10 CONTROLS 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 7,8,11 of the present Act. The Accounting Officer may delegate the duties referred to above only to the Municipality`s Chief Finance Officer.

SECTION 11: WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS

Only the Accounting Officer or the Chief Finance 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 authorize the withdrawal of money from any of the Municipality`s bank accounts. Such withdrawals may be made only to:-

- Defray expenditure appropriated in terms of an approved budget;
- Defray expenditure authorized in terms of the Section 26(4) (this Section deals with situations in which the budget was not timeously approved, and the Province has been compelled to intervene)
- Defray unforeseeable and unavoidable expenditure authorized in terms of Section 29 (1)
- In the case of a bank account opened in terms of Section 12, make payments from the account in accordance with Section 12(4).
- Pay over to a person or organ of state 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 investment 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).

Final Banking and Investment Policy

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 Finance Officer to withdraw money or to authorize the withdrawal of money from the Municipality`s primary account if the Municipality has a primary bank account which 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 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, as the Accounting Officer may set up such funds.

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, it must be paid 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 decision of the, 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 concurrence of the cabinet members 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 prescribed.

Final Banking and Investment Policy

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 each financial year, notify the Auditor-General, in writing, of such bank account indicating the type and number of account, and the opening and closing balances of that account that financial year. The bank must also promptly disclose any information regarding the account when so requested by the National Treasury or Auditor-General.

A bank, insurance company, or other financial institution which at the end of the 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 BUDGET 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 PUBLICATIONS 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 ALLOCATION TO MUNICIPALITIES

In order to provide predictability and certainty about the sources and levels 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 allocation 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.

Final Banking and Investment Policy

The Minister or 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 allocation due to each Municipality in term of that budget, including the amount to be transferred to the Municipality during each of the next 3 financial years.

SECTION: 37 PROMOTIONS 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 allocation, the accounting officer of every municipality responsible for the transfer of any allocation to another municipality, must by not 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 repaired 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 may be changed only by a resolution of the Council, and if the Council approves a credit facility limit 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 provision of the present Act, and only for purpose of capital

Final Banking and Investment Policy

expenditure on property, plant and equipment to be used for the purpose of achieving the object of Local government as set out in Section 152 of the Constitution; or refinancing existing long-term debt subject to the requirements of Section 46 (5).

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

The Municipality may incur debt only if the debt is denominated in rand and is not affected by fluctuations in the value of the rand against any foreign currency.

SECTION: 64 REVENUE MANAGEMENT

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 all collecting agents 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 on a weekly basis, and that such funds are not used for purpose of the Municipality.

SECTION: 65 EXPENDITURE MANAGEMENT

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 payment and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit.

Final Banking and Investment Policy

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

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

PART: 13 ANNEXURE II: CODE OF PRACTICE IN REGARD TO PAYMENTS, REVENUE COLLECTION AND STORES

1. STORES ADMINISTRATION

The Chief Finance 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 Finance Officer, acting in consultation with the head of department concerned. No sub-store may be established without prior written consent of the Chief Finance Officer

2. MANAGEMENT OF CONTRACTS

With such general buying and related procedures as the Chief Finance 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 Council, as the case maybe:-

- all buying contracts shall be administered by the Chief Finance Officer, and all payments relating to such contracts shall be authorized by the Chief Finance 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 such contracts shall be authorized by such head of department in accordance with the provisions of Section 3 below. The head of department concerned shall ensure that all payment certificates in regard to contracts are properly examined and are correct in all respects – before being submitted to the Chief Finance Officer for payment.

3. PAYMENTS

Final Banking and Investment Policy

All payments, other than petty cash disbursements, shall be made through the Municipality`s bank account(s).

The Chief Finance 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 and cheques, and from time to time jointly with the Municipal Manager decide on appropriate signatories.

All requests for payments of whatever nature shall be submitted on payment vouchers, the format of which shall be determined by the Chief Finance Office. Such voucher shall be authorized in terms of such rules and procedures as are determined from time to time by the Chief Finance Officer.

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 Finance Officer. No cash float shall be operated without the authority of the Chief Finance Officer, who may prescribe such procedure relevant to the management of such float as are considered necessary.

The Chief Finance Officer shall be responsible for the payment of all salaries and remuneration benefits to employees and Councillors, and for the determination of the payment system to be used.

4. REVENUE AND CASH COLLECTION

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.

The Chief Finance Officer shall ensure that all revenue are properly accounted for:-

The collection of all arrear revenues and the control of arrear accounts and shall be co-ordinated by the Chief Finance 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 Finance Officer shall report the matter adequately and timeously to the Finance Committee.

The Chief Finance Officer shall ensure that adequate provision is maintained to cover the writing off of irrecoverable revenues, having due regard to the Council`s policy on rates and tariffs.

Final Banking and Investment Policy

5. BANKING OF RECEIPTS

Guidelines and procedures for the banking of cheques and other receipts shall, is necessary, be determined from time to time by the Chief Finance Officer.

Where applicable, every head of department shall ensure that all revenues are banked daily with the Municipality `s banker (s), or less frequently if so approved by the Chief Finance Officer.

IMPLEMENTATION

The policy will be implemented upon approval of the amendments by the Council.

DATE OF ADOPTION: 30 MAY 2023.....

DATE OF IMPLEMENTATION: 1 JULY 2023.....

SIGNATURE OF ACTING MUNICIPAL MANAGER:.....

DATE: 30 MAY 2023.....

