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BEAUFORT WEST MUNICIPALITY

BUDGET RELATED POLICY NO. 8 CASH MANAGEMENT AND INVESTMENTS POLICY

DOCUMENT AND VERSION CONTROL

Version: Revision 4

Date: June 2023

Summary:

This document describes the Cash Management and Investments policy that will be applicable with effect from **1 July 2023**.

Copies of this document can be viewed at the offices of the Municipality, all the public libraries in the municipality and the municipal website.

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1. Application and Scope

a) This policy is mandated by Section 8 of the Local Government: Municipal Budget

and Reporting Regulations which is made in terms of section 168 of the Municipal Finance Management Act.

b) As trustees of public funds, the Council has an obligation to see to it that cash resources are managed as effectively and as efficiently as possible and in accordance with the municipal investment regulations published in Government Gazette 27431 of 1 April 2005.

c) The Council of Beaufort West Local Municipality has a responsibility to invest public funds according to the standards of care to be exercised when making investments as set out in the Municipal Investment Regulations ("Regulations") 5 (a) — (c) as stipulated in Government Gazette 27431 of 1 April 2005.

d) All investments made by the municipality, or by an investment manager on behalf of the municipality must be in accordance with the investment policy of the municipality and the Regulations.

2. Objectives of this Policy

e) To maximize returns from authorized investments, consistent with the objective of minimizing risk;

f) To ensure compliance with all legislation governing the investment of funds;

g) To maintain adequate liquidity to meet cash flow needs;

h) To undertake the investment of funds not immediately required for operational purposes in a prudent financial manner; and

i) To ensure diversification of permitted investments.

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3. Legal framework

Section 13 of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003) determines that a municipality must introduce an appropriate and effective cash management and investment arrangement; Generally Council will invest surplus funds with deposit taking institutions registered in terms of the Bank's Act, 1990 (Act 94 of 1990).

3.1 Revenue management

Sec 64 of the MFMA states the following:

64. (1) The accounting officer of a municipality is responsible for the management of the revenue of the municipality.

(2) The accounting officer must for the purposes of subsection

(1) take all reasonable steps to ensure—

(a) that the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy;

(b) that revenue due to the municipality is calculated on a monthly basis;

(c) that accounts for municipal tax and charges for municipal services are prepared on a monthly basis, or less often as may be prescribed where monthly accounts are uneconomical;

(d) that all money received is promptly deposited in accordance with this Act into the municipality's primary and other bank accounts;

(e) that the municipality has and maintains a management, accounting and information system which—

(i) recognises revenue when it is earned;

(ii) accounts for debtors; and

(iii) accounts for receipts of revenue;

(f) that the municipality has and maintains a system of internal control in respect of debtors and revenue, as may be prescribed;

(g) that the municipality charges interest on arrears, except where the council has granted exemptions in accordance with its budget-related policies and within a prescribed framework; and

(h) that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled at least on a weekly basis.

(3) The accounting officer must immediately inform the National Treasury of any payments due by an organ of state to the municipality in respect of municipal tax or for municipal services, if such payments are regularly in arrears for periods of more than 30 days.

(4) The accounting officer must take all reasonable steps to ensure—

(a) that any funds collected by the municipality on behalf of another organ of state is transferred to that organ of state at least on a weekly basis; and

(b) that such funds are not used for purposes of the municipality.



3.2 Expenditure management

Sec 65 (2) of the MFMA states the following:

65.

(2) The accounting officer must for the purpose of subsection

(1) take all reasonable steps to ensure—

(a) that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;

(b) that the municipality has and maintains a management, accounting and information system which—

(i) recognises expenditure when it is incurred;

(ii) accounts for creditors of the municipality; and

(iii) accounts for payments made by the municipality;

(c) that the municipality has and maintains a system of internal control in respect of creditors and payments;

(d) that payments by the municipality are made—

(i) directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed; and

(ii) 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;

(e) that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure;

(f) that the municipality complies with its tax, levy, duty, pension, medical aid, audit fees and other statutory commitments;

(g) that any dispute concerning payments due by the municipality to another organ of state is disposed of in terms of legislation regulating disputes between organs of state;

(h) that the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework;

(i) that the municipality's supply chain management policy referred to in section 111 is implemented in a way that is fair, equitable, transparent, competitive and cost-effective; and

U) that all financial accounts of the municipality are closed at the end of each month and reconciled with its records.



3.3 Withdrawals from municipal bank accounts

Sec 11 of the MFMA states the following:

11. (1) Only the accounting officer or the chief financial officer of a municipality, 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, and may do so only—

- (a) to defray expenditure appropriated in terms of an approved budget;**
- (b) to defray expenditure authorised in terms of section 26(4);**
- (c) to defray unforeseeable and unavoidable expenditure authorised in terms of section 29(1);**
- (d) in the case of a bank account opened in terms of section 12, to make payments from the account in accordance with subsection (4) of that section;**

- (e) to pay over to a person or organ of state money received by the municipality on behalf of that person or organ of state, including—**
 - (i) money collected by the municipality on behalf of that person or organ of state by agreement; or**
 - (ii) any insurance or other payments received by the municipality for that person or organ of state;**

- (f) to refund money incorrectly paid into a bank account;**
- (g) to refund guarantees, sureties and security deposits;**
- (h) for cash management and investment purposes in accordance with section 13; (i) to defray increased expenditure in terms of section 31; or**
- (j) for such other purposes as may be prescribed.**

(2) Any authorisation in terms of subsection (1) to a senior financial official to withdraw money or to authorise the withdrawal of money from a bank account must be in accordance with a 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.

(3) Money may be withdrawn from a bank account in terms of subsection (1)(b) to (j) without appropriation in terms of an approved budget.

(4) The accounting officer must within 30 days after the end of each quarter—

- (a) table in the municipal council a consolidated report of all withdrawals made in terms of subsection (1)(b) to (j) during that quarter; and**
- (b) submit a copy of the report to the relevant provincial treasury and the Auditor-General.**



4. The Cash Management Policy

4.1 General Policy

a) It is recognised that from time to time, Council has cash flow surpluses and borrowing requirements due to daily receipts and payments.

b) Council maintains a daily cash position summary and a yearly cash flow projection is prepared during the annual planning process and is updated monthly. This determines Council's borrowing requirements and surpluses for investment. Cash invested "outside" the bank account is covered by section 4 of this policy.

4.2 Bank Accounts

- Council operates one primary bank account for its day to day operational activity requirements and two secondary accounts specifically for service charges and revenue derived from Fines.

- All monies due to Council and due by Council emanating from Council activities must pass through this primary account, therefore secondary accounts are swept frequently and all balances are transferred to the primary bank account.

4.3 Delegation/Rights

a) The incumbents of the following posts are authorize payments on behalf of Council

A- Authorised Signatories:

- Municipal Manager
- Director: Financial Services/Chief Financial Officer
- Deputy Director: Financial Services
- Manager: Financial Administration
- Manager: Revenue, Expenditure & SCM
- Accountant: Budget & Financial Reporting



b) Bank Overdraft

- Barring the fact that Council has an approved overdraft facility with its primary banker for possible unanticipated short-term cash flow shortfall, its general policy is to avoid going into overdraft.

Short-term debt is incurred based on expected income and must be repaid within the same financial year.

Any overdrawn bank account at any date must be reported without avail to Council supported by reasons therefore.

- Any short term facility that requires review must first be approved by the Accounting Officer.

4.4 Cash Management procedures:

4.4.1 Cash Management

All cash that has been receipted and deposited into Beaufort-West municipalities' bank accounts need to be banked the next working day

Cash surpluses: Need to be receipted (surplus miscellaneous) and must be banked

Cash shortages: Need to be paid in immediately not doing this can result in disciplinary action.

4.4.2 Receipting of money:

Persons/institutions responsible for receiving money on council behalf

Permanent and relieve cashiers through the receiving of cash and other payment methods. Third Party Vendors as contracted and listed accordingly.

Rights of management to review and amend as needed Need to be reported to council

4.4.3 Private money

No employee of the municipality is allowed to do the following:

Misuse councils cash funds at any stage to be replaced on a later stage.

Keeping private funds with/amongst council funds (cash) etc., cashier safes,

Petty cash boxes etc.



4.4.5.2.3 Original receipts must be given to the customer.

4.4.5.2.4 The following should appear on a computer generated receipt —

4.4.5.2.4.1 Date on which the receipt was issued;

4.4.5.2.4.2 Amount for which the receipt was issued;

4.4.5.2.4.3 Cashier responsible for issuing the receipt;

4.4.5.2.4.4 Account to which the payment is to be credited;

4.4.5.2.4.5 Type of payment transaction (cash, debit order, etc.); and

4.4.5.2.4.6 Computer generated receipt number.

4.4.5.3 Cancellation of Receipts:

4.4.5.3.1 Receipts that are cancelled are to be clearly marked with cancelled written across the face of the receipt.

4.4.5.3.2 Cancelled receipts are to include the original receipt (attached to transaction report).

4.4.5.3 Reasons for the cancellation are to be marked on the cancellation summary and should include the signatures of the cashier and Controller cashiering.

4.4.5.3.4 Prepaid cancellations: No cancellations on Prepaid water and electricity issued

4.4.5.3.5 The transaction trail for the Cashier for the day should be reconciled to the number of cancelled receipts on hand.

4.4.5.4 Cash Balancing:

4.4.5.4.1 The deposit bags must be collected in the next morning on every business day. The Controller cashiering must report any problems experienced in this regard to the Accountant immediately.

4.4.5.4.2 Cash on hand should be counted and the cash float should be removed before balancing to the computer records for the receipts of the day, for a given cashier.

4.4.5.4.3 Cash received for the day is keyed into the computer system for each note and coin denomination.



4.4.5.4.4 Balancing of the cash on hand to the computer records must be performed by means of reconciliation before closing of offices every day.

4.4.5.4.5 The Controller cashiering is responsible for ensuring that the records balance.

4.4.5.4.6 Shortages must be paid in immediately by the Cashier and surpluses are immediately received into the cashier surplus vote.

4.4.5.4.7 The Controller cashiering amends the cash received on the computer printout and the correct totals are banked.

4.4.5.4.8 Cashiers bank deposit is checked by the Controller cashiering and placed in the deposit bag;
the deposit bag is sealed before close of day.

4.4.5.4.9 Bank deposits are locked in the safe at each cash-point by the Cashier for collection by the security firm, the following day.

4.4.5.4.10 The Cashiers float is locked away in the safe.

4.4.5.4.11 Daily day end cash-up procedures must be completed before the Cashier and Controller cashiering may leave the municipal premises. The number on the deposit bag is recorded in the cash register.

4.4.5.4.12 The Security firm responsible for lifting and banking the municipal takings records the bag number in their records and the Controller cashiering/ Cashier and the Security firm representative sign the documentation as receipt of the takings from the Municipality to the Security firm for banking purposes.

4.4.5.4.13 All the documentation of a cashier for each day, including daily summary sheet, cancelled receipts, cashier deposit slips, stamped bank deposit slip, etc. must be kept together in a file for audit purposes. This file may only be taken out of the Controller cashiering office after signing a register with the necessary motivation.

4.4.5.4.14 All Cashiers takings must be entered into a cash register daily and the Controller cashiering must sign it. This register or copies of it must be used for reconciliation done by other departments.

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4.4.5.4.15 As the cashier is responsible for the cash he/she must at all times ensure that the cash in his/her possession is safely locked away.

4.4.5.4.16 No person other than the cashier, Controller cashiering or accountant is allowed in the cashier cubicle.

4.4.5.5 Deposit Books for Municipal Takings:

4.4.5.5.1 The deposit book serves as an agreement between the municipality and the bank of the funds forwarded to the bank for deposit purposes, into the appropriately defined municipal banking account.

4.4.5.5.2 Completion of deposit slips (in ink), by the Cashier, must be appropriate, comprehensive and accurate.

4.4.5.5.3 The deposit book sheets are —

4.4.5.5.3.1 Original for the bank;

4.4.5.5.3.2 Copy 1 for the Cashier; and

4.4.5.5.4 The original and copy of the deposit books are forwarded to the bank for stamping purposes.

4.4.5.5.5 On return from the bank the stamped deposit slips are reviewed by the Controller cashiering to follow-up on any discrepancies.

4.4.5.5.6 The stamped deposit slips are attached to each of the cashier's daily summary sheets.

4.4.6 Other Payment Methods

These relate to other payment mediums such as internet banking, direct deposits, ACB's, retail store, etc.

4.4.6.1 Direct Deposits:

4.4.6.1.1 These transactions are handled by the Controller cashiering.

4.4.6.1.2 A direct deposit register is prepared by the Controller cashiering and the sundry transactions are captured into the financial system by a Cashier.

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4.4.6.1.3 Balancing between the Controller cashiering direct deposit register and the cashier transactions summary is completed.

4.4.6.2 Third Party (Easypay) Transactions:

4.4.6.2.1 All payments are handled by the Controller cashiering by means of an Easypay download and given to a cashier to transfer/receipt to the financial System.

4.4.6.2.3 Balancing of the third party transaction totals to the Bank totals received by the Controller cashiering is completed by who completes the cashbook reconciliation.

4.4.6.2.4 Variances are followed up by the Controller cashiering

4.4.6.2.5 The serial numbers of receipt transfers from the institutions must be checked on a daily basis by Controller cashiering to ensure that all receipts/deposits are transferred to the Municipality on a daily basis. These serial numbers must be recorded by the Controller cashiering and any discrepancies must be followed up on a daily basis by the Controller cashiering.

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5. Investments Policy

5.1 Diversification

Council will only make investments with approved institutions which have an A rating.

5.2 Investment Official

5.2.1 Internal Investments Officials

a) All investments made internally shall be in accordance with section 6.4 of this policy

5.3 Internal Controls over Investments

5.3.1 Delegations

a) In terms of section 79 of the Act, the Accounting Officer has delegated to the Director: Finance (CFO), in writing, his duty under section 65 (2) (h) to manage the council's available working capital effectively and economically in terms of the prescribed cash management and investment framework.

b) The CFO can sub delegated this responsibility to the Accountant: Revenue

The latter does not mean that responsibility is abdicated.

5.3.2 Obtaining quotations and concluding deals

a) Written mandates, signed by the Manager: Revenue, Manager: Financial Administration and Manager: Expenditure Budget Office and the CFO, shall be issued to all investees with whom the Council invests funds setting out the following;

- Authorised dealers: name and particulars of the Councils officials who are authorised to transact investments deals with the investees;
- Authorised signatories: name and particulars of the Councils officials who are authorised to sign written confirmations or any other correspondence in respect of investments transactions.

A dealing sheet, signed by an authorised dealer, shall be prepared in all instances for each individual investment, detailing the quotations received and the recommended investee.



- The Accountant: Revenue, together with any one of the authorised signatories referred to above, shall be authorised to approve the transaction.
- A written confirmation of the terms of each investment transaction shall be prepared, and signed off by the Accountant: Revenue Income in the Budget Office and the CFO.

5.4 Ownership

- a) All investments must be made in the name of the Beaufort West Municipality.
- b) Written proof of investments made must obtained from the institution where the investment is made and must be kept on file.

a) Due Care and Investment Ethics

In dealing with financial institutions, the following ethical principles must be observed:

The Chief Financial Officer is responsible in the final instance for the investment of funds, and he has to steer clear of outside interference, regardless of whether such interference comes from individual councillors, agents or any institution.

- Under no circumstances may he be susceptible to coercive measures of any description.

No member of staff may accept any gift other than something which is so small that it cannot possibly be seen as anything but a sign of goodwill, regardless of whether such gift influences him in his work or is intended to do so.

The Chief Financial Officer must act according to his own discretion and should report any serious cases, such as for instance offers of a personal commission or payment in kind, etc. to his council. Discretion should be the order of the day and excessive gifts and hospitality (gifts and hospitality with a value of more than R350) should be refused and avoided. The Chief Financial Officer and all staff in his/her directorate shall not accede to any influence by or interference from Councillors, investment agents, institutions or any other outsiders.

Interest rates quoted by one institution must not be disclosed to another institution. The business ethics of any controlling body of which the relevant financial institution is a member must be observed by such institution or body at all times.



- In making such investments the Chief Financial Officer shall at all times have only the best considerations of the municipality in mind, and shall not accede to any influence by or interference from councillors, investment agents or institutions or any other outside parties.

The Chief Financial Officer or Municipal Manager may not accept any gift, other than an item having such negligible value that it cannot possibly be construed as anything other than a sign of goodwill by the donor, from any investment agent or institution or any party with which the Council has made any investment.

5.7 Performance Measurement

a) Measuring the effectiveness of Council's treasury activities is achieved through a mixture of subjective measures. The predominant subjective measure is the overall quality of treasury management information. The Chief Financial Officer has primary responsibility for determining this overall quality. Objective measures include:

- Adherence to policy.
- Timely receipt of interest income.

6. Annual Review of Policy

a) This policy on investments will be reviewed annually or earlier if so required by legislation. Any changes to the investment policy must be adopted by council and be consistent with the Act and any National Treasury regulations.

b) The effective date of this policy will be 1 July 2023 and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.

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7. Date of Approval & Signature

As approved by Council at the Council meeting which was held on

Signed at..... on the day of.....

.....
.....

MUNICIPAL MANAGER

