



DIPALESENG LOCAL MUNICIPALITY

POLICY ON:

BANKING AND INVESTMENTS

2017/18

1. LEGISLATIVE CONTEXT

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

Provisions of this Act relating to cash management is attached as "Annexure A" to this policy.

2. DEFINITIONS

For the purpose of this policy, the following words will be defined as follows:

"Accounting Officer"—

- i) in relation to a municipality, means the municipal official referred to in section 60; or
- ii) in relation to a municipal entity, means the official of the entity referred to in section 93, and includes a person acting as the accounting officer;

"Auditor-General" means the person appointed as Auditor-General in terms of section 193 of the Constitution, and includes a person—

- i) acting as Auditor-General;
- ii) acting in terms of a delegation by the Auditor-General; or
- iii) designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General;

"chief financial officer" means a person designated in terms of section 80(2)(a);

"MFMA" means Municipal Finance Management Act 56 of 2003

"local municipality" means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality;

"municipal council" or "council" means the council of a municipality referred to in section 18 of the Municipal Structures Act;

"Minister" means the Cabinet member responsible for finance;

"municipal manager" means a person appointed in terms of section 82(1)(a) or (b) of the Municipal Structures Act;

"National Treasury" means the National Treasury established by section 5 of the Public Finance Management Act;

"political office-bearer", in relation to a municipality, means—

- i) the speaker, executive mayor, deputy executive mayor, mayor, deputy mayor or a member of the executive or mayoral committee of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act; or
- ii) a councillor referred to in section 57(1) of this Act;

"primary bank account" means a bank account referred to in section 8(1);

"vote" means—

- i) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- ii) which specifies the total amount

"**creditor**", in relation to a municipality, means a person to whom money is owing by the municipality;

3. OBJECTIVE OF THE POLICY

3.1 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.

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 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 revenues are surplus.

4. EFFECTIVE CASH MANAGEMENT

4.1 Cash collection

- a) Receipt of cash by the Municipality shall be acknowledged immediately by the issue of a computer generated/ manual sequentially numbered receipt
- b) All monies collected by the Municipality shall be banked daily, using a cash-in-transit security company
- c) The respective responsibilities of the chief financial officer and other officials in this regard is defined in the Standard Operating Procedures relating to cash management
- d) The Municipality's credit control policy is an integral part of the cash collection cycle, and should be read in conjunction with this policy.
- e) Monies collected by other agencies on behalf of the Municipality shall be deposited in the appropriate bank account of the Municipality

4.2 Payments to Creditors

- a) The chief financial officer shall ensure that all tenders and quotations invited by and contracts entered into by the municipality shall be in terms of the municipality's SCM policy and Standard Terms of Business.
- b) Any deviation from the Standard Terms of Business shall be approved by the Municipal Manager prior to the transaction being entered into
- c) The Municipality's standard payment terms are 30 days
- d) The standard payment terms shall be departed from only where there are financial incentives for the municipality to effect earlier payment, and any such departure shall be approved by the chief financial officer before any payment is made.

4.3 Petty Cash

- a) The Municipality shall keep a Petty Cash float at a level to be set by the Accounting Officer.
- b) The petty cash float shall be kept in a safe by the Chief Financial Officer or an official delegated by the Chief Financial Officer for this purpose
- c) Disbursements from petty cash shall be in terms of the standard operating procedures relating to petty cash.

4.4 Cash Management

- a) The CFO shall prepare an annual estimate of the municipality's cash flows based on the Municipality's approved budget and update the estimate with the actual cash flow on a monthly basis.
- b) Report to the executive committee or executive mayor the cash flow estimates or the revised estimates compared to the actual cash flow. Commentary shall be provided where required

5. BANKING

5.1 Opening of Bank Accounts

- a) The Municipality shall open and maintain at least one bank account in the name of the Municipality. All money received by must be paid into its bank account or accounts, and this must be done promptly and in accordance with this policy
- b) The municipality may not open a bank account—
 - i. abroad;
 - ii. with an institution not registered as a bank in terms of the Banks Act, 1990
 - iii. otherwise than in the name of the municipality.

5.2 Primary Bank Account

- a) The municipality must have a primary bank account. If the municipality only has one bank account, that account is its primary bank account. However, if the municipality has more than one bank account, it must designate one of its bank accounts as the primary bank account.
- b) The Municipal Manager must submit to the National Treasury, 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.
- c) If the municipality decides to change its primary bank account, it may do so only after the Municipal Manager has informed the National Treasury, Provincial Treasury and the Auditor- General, in writing, at least 30 days before effecting the change.
- d) The following monies must be deposited into the municipality's primary bank account:
 - i. All allocations to the municipality, including those made to it for transmission to an external service-delivery mechanism assisting the municipality in the performance of its functions;
 - ii. All income received by the municipality on its investments;
 - iii. All income received by the municipality in connection with its interest in any municipal entity, including dividends;

- iv. All money collected by an external-delivery mechanism on behalf of the municipality and
- v. Any other monies as the Minister of Finance may prescribe by regulation.

5.3 Bank Account details to be submitted to Provincial Treasury and Auditor General

Bank account details - name, type and number - must be submitted to Provincial Treasuries and the Auditor-General as follows:-

- a) Annually before the start of the financial year (MFMA Sec 9); and Within 90 days after a new account has been opened

A specific account should be identified as the primary bank account, for this account the details must also be submitted to National Treasury (once off). The primary account can only be changed after informing the National Treasury and the Auditor-General 30 days in advance.

5.4 Control of Municipal Bank Accounts

- a) Municipalities must assess the costs associated with maintaining separate bank accounts with the benefits thereof before doing so. The following options are available to municipalities, namely:
 - i) Multiple banks accounts: Section 11(2) states that when the “municipality has a primary bank account that is separate to its other bank accounts” then the authority to withdraw funds is as follows:
 - Primary bank account – AO and CFO only; and
 - All other bank accounts – AO or CFO, or any other senior financial official acting on written authority of the AO.

5.5 Withdrawal from Municipal Bank Accounts

Two signatories (the Accounting Officer or the chief financial officer or any other senior financial official of the Municipality acting on the written authority of the accounting officer) will be required to 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;
 - iii) refund money incorrectly paid into a bank account;

- iv) to refund guarantees, sureties and security deposits;
- v) make investments for cash management purposes in accordance with Section 13;
- vi) defray increased expenditure in terms of Section 31; or
- vii) for such other purposes as may be prescribed.

5.6 Relief, charitable, trust or other funds

- a) Any relief, charitable or other trust may be set up only in the name of the Municipality
- b) Only the municipal manager may be the Accounting Officer of any such fund.
- c) A municipality may open a separate bank account in the name of the municipality for the purpose of a relief, charitable, trust or other fund.
- d) Money received by the municipality for the purpose of a relief, charitable, trust or other fund must be paid into a bank account of the municipality, or if a separate bank account has been opened in terms of b) above, into that account.
 - i) Money in a separate account opened, in terms of b) above, may be withdrawn from the account without appropriation in terms of an approved budget, but only: by or on the written authority of the accounting officer acting in accordance with decisions of the municipal council; and
 - ii) for the purposes for which, and subject to any conditions on which, the fund was established
 - iii) or the money in the fund was donated.

5.7 Reporting of Irregular withdrawals

The Accounting Officer shall report all irregular withdrawals in circumstances where the payment is not in terms of an approved budget. The Accounting Officer must table a report to council quarterly providing consolidated details of unbudgeted withdrawals, within 30 days after the end of each quarter and a copy submitted to the relevant provincial treasury, National Treasury and the Auditor-General.

6. INVESTMENTS

- 6.1 The chief financial officer shall be responsible for investing the surplus revenues of the municipality, and shall manage such investments in consultation with the executive mayor or chairperson of the executive committee, as the case may be, and in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance.
- 6.2 In making such investments the chief financial officer, shall at all times have only the best considerations of the municipality in mind, and, except for the outcome of the consultation process with the executive mayor or chairperson of the executive committee, as the case may be, shall not accede to any influence by or interference from councillors, investment agents or institutions or any other outside parties.
- 6.3 Neither the chief financial officer nor the executive mayor or chairperson of the executive committee, as the case may be, may accept any gift, other than an item having such negligible value that it cannot possibly be construed as anything other than a token of goodwill by the donor, from any investment agent or institution or any party with which the municipality has made or may potentially make an investment.
- 6.4 The Municipality may utilise the services of an investment manager. The services of an investment manager shall be procured through an open tender process, in accordance with the Municipal Finance Management Act and the Municipality's supply chain management policies

- 6.5 No fee, commission or other reward may be paid to a councillor or official of a municipality or to a director or official of a municipal entity or to a spouse or close family member of such councillor, director or official in respect of any investment made or referred by a municipality or municipal entity.
- 6.6 If a Municipality pays any fee, commission or other reward to an investment manager in respect of any investment made by a municipality or municipal entity, both the Municipality and the investment manager must declare such payment to the council of the municipality or the board of directors of the municipal entity by way of a certificate disclosing full details of the payment.
- 6.7 The Municipality may only invest funds with Investment Grade funds, as determined by Nationally or Internationally recognised credit ratings agencies
- 6.8 Investments by the Municipality shall be made with regard to the following:
- a) May not be made for speculation but shall only be made as genuine investments
 - b) Primary regard shall be to the probable safety of the investment
 - c) Secondly the liquidity requirements of the Municipality shall be taken into consideration
 - d) Lastly the probable income to be derived from the investment shall be taken into consideration
- 6.9 The Municipality may only invest 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 national or internationally recognised credit rating agency
 - c) Deposits with banks registered in terms of the Banks Act, 1990
 - d) Deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984
 - e) Deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 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; and
 - j) Any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consultation with the Financial Services Board.
- 6.10 The Municipality may make an investment only if the investment is denominated in Rand and not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency

7. REVIEW OF POLICY

The Municipal Council shall review and approve the policy annually before the start of each financial year with relevance to legal compliance.

ANNEXURE “A”

LEGAL REQUIREMENTS

The annexure does not cover the complete contents of the Municipal Finance Management Act, but focuses on those requirements that are immediately relevant to a municipality’s cash management policy.

SECTION 7: OPENING OF BANK ACCOUNTS

- (1) *Every municipality must open and maintain at least one bank account in the name of the Municipality.*
- (2) *All money received by a municipality must be paid into its bank account or accounts, and this must be done promptly and in accordance with this Chapter and any requirements that may be prescribed.*
- (3) *A municipality may not open a bank account—*
 - (a) *abroad;*
 - (b) *with an institution not registered as a bank in terms of the Banks Act, 1990 (Act No. 94 of 1990); or*
 - (c) *otherwise than in the name of the municipality.*
- (4) *Money may be withdrawn from a municipal bank account only in terms of section 11(1).*

SECTION 8: PRIMARY BANK ACCOUNT

- (1) *A municipality must have a primary bank account. If a municipality—*
 - (a) *has only one bank account, that account is its primary bank account; or*
 - (b) *has more than one bank account, it must designate one of those bank accounts as its primary bank account.*
- (2) *The following moneys must be paid into a municipality’s primary bank account:*
 - (a) *All allocations to the municipality, including those made to the municipality for transmission to a municipal entity or other external mechanism assisting the municipality in the performance of its functions;*
 - (b) *all income received by the municipality on its investments;*
 - (c) *all income received by the municipality in connection with its interest in any municipal entity, including dividends;*
 - (d) *all money collected by a municipal entity or other external mechanism on behalf of the municipality; and*
 - (e) *any other moneys as may be prescribed.*
- (3) *A municipality must take all reasonable steps to ensure that all moneys referred to in subsection (2) are paid into its primary bank account.*
- (4) *No organ of state in the national, provincial or local sphere of government may transfer an allocation of money referred to in subsection (2) to a municipality except through the municipality’s primary bank account. All allocations due by an organ of state to a municipal entity must be made through the parent municipality, or if there are more than one parent municipality, any of those parent municipalities as may be agreed between the parent municipalities.*
- (5) *The accounting officer of a municipality must submit to the National Treasury, the relevant 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 a 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 effecting the change..*

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

The accounting officer of a municipality must submit to the relevant provincial treasury and the Auditor-General, in writing—

- (a) 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*
- (b) annually before the start of a 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

- (1) The accounting officer of a municipality—*
 - (a) must administer all the municipality's bank accounts, including a bank account referred to in section 12 or 48(2)(d);*
 - (b) is accountable to the municipal council for the municipality's bank accounts; and*
 - (c) must enforce compliance with sections 7, 8 and 11.*
- (2) The accounting officer may delegate the duties referred to in subsection (1)(c) to the municipality's chief financial officer only.*

SECTION 11: Withdrawals from municipal bank account

- (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*

SECTION 12: RELIEF, CHARITABLE, TRUST OR OTHER FUNDS

- (1) No political structure or office-bearer of a 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.*
- (2) A municipality may in terms of section 7 open a separate bank account in the name of the municipality for the purpose of a relief, charitable, trust or other fund.*
- (3) Money received by the municipality for the purpose of a relief, charitable, trust or other fund must be paid into a bank account of the municipality, or if a separate bank account has been opened in terms of subsection (2), into that account.*
- (4) Money in a separate account opened in terms of subsection (2) may be withdrawn from the account without appropriation in terms of an approved budget, but only—*
 - (a) by or on the written authority of the accounting officer acting in accordance with decisions of the municipal council; and*
 - (b) 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

- (1) The Minister, acting with the concurrence of the Cabinet member responsible for local government, may prescribe a framework within which municipalities must—*
 - (a) conduct their cash management and investments; and*
 - (b) invest money not immediately required.*
- (2) A municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed in terms of subsection (1).*
- (3) A bank where a municipality at the end of a financial year holds a bank account, or held a bank account at any time during a financial year, must—*
 - (a) within 30 days after the end of that financial year notify the Auditor-General, in writing, of such bank account, including—*
 - (i) the type and number of the account; and*
 - (ii) the opening and closing balances of that bank account in that financial year; and*
 - (b) promptly disclose information regarding the account when so requested by the National Treasury or the Auditor-General.*
- (4) A bank, insurance company or other financial institution which at the end of a financial year holds, or at any time during a financial year held, an investment for a municipality, must—*
 - (a) within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that investment, including the opening and closing balances of that investment in that financial year; and*
 - (b) promptly disclose information regarding the investment when so requested by the National Treasury or the Auditor-General.*

SECTION 64: REVENUE MANAGEMENT

- (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.*

1 EFFECTIVE DATE

This policy comes in effect on date of approval.

Implementation Date	Council Resolution no.	Adopted Date
1 July 2017		