****

**ITEM:**

**TABLING OF THE DITSOBOTLA LOCAL MUNICIPALITY’S 2023/24 CASH MANAGEMENT AND INVESTMENT POLICY**

Executive Committee

Council Meeting

**Report of the Municipal Manager**

1. **PURPOSE**

To submit the reviewed draft Cash Management and Investment policy to Executive Committee enroute to Council for approval.

1. **BACKGROUND**

The Municipal Finance Management Act, Act 56 of 2003 (MFMA) section 13(2) requires a municipality to establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed in terms of section (1).

The accounting officer must review the policy at least once annually to give effect to the legislative framework requirements.

1. **DISCUSSION**

The reviewed draft Cash Management and Investment policy is attached.

The changes are highlighted in red.

1. **RECOMMENDATIONS**
2. That cognizance of the reviewed draft policy be taken.
3. That the reviewed draft policy be approved for implementation.

DITSOBOTLA LOCAL MUNICIPALITY

****

**CASH MANAGEMENT**

**AND**

**INVESTMENT POLICY**

**2023/24**

**Preamble**

a) Whereas the Ditsobotla Local Municipal Council serves as a trustee of public funds it has an obligation to ensure that cash resources are managed as effectively as possible.

 b) Whereas the Ditsobotla Local Municipal Council has a responsibility to invest public funds with great care and are accountable to the community in this regard.

c) Whereas the Ditsobotla Local Municipal Council must have in place an effective Cash Management System and Investment Policy that should be aimed at gaining the highest possible return without undue risk during those periods when surplus cash is not needed.

d) The Ditsobotla Local Municipal Council must ensure that it’s Cash Management and Investment Policy complies with Legislation at all times. Where this Policy is contrary to legislation, Legislation will override this Policy. It is an explicit responsibility of the Municipal Manager to bring such conflicts to the attention of the Council and to propose changes to this Policy to eliminate such conflict.

**Key words and abbreviations**

* **Act-** Local Government: Municipal Finance Management Act, 2003 (Act Act 56 of 2003)
* **Accounting Officer-** Municipal Manager of the municipality
* **Finance Standing committee-** Committee of Council dealing with the financial affairs of the Committee municipality
* **Budget and Treasury Office-** Budget and municipal department dealing with the financial affairs of the treasury office
* **Chief Financial Officer (CFO)-** Head of the Budget and Treasury office
* **Investment Panel-** Committee responsible for managing municipal investments
* **Investment Register-** Investment electronic spreadsheet which contains details of all municipal register investments
* **Investment regulations-** as prescribed under the MFMA (Act No. 56 0f 2003) Regulations through Government Gazette No. 27431 dated 1 April 2005
* **Investment Manager-** a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act, 1989 (Act No. 55 of 1989), and Stock Exchanges Control Act, 1985 (Act No. 1 of 1985), contracted by the municipality to:

- Provide Investment advice on investments or manage investments on its behalf

* **Liquidity-** financial ability of the municipality to service its debts
* **Minister -** a Cabinet member responsible for Finance
* **Optimal Yield -** maximum interest earned on investment
* **BTO-** Budget and Treasury Office
* **MFMA-** Municipal Finance Management Act, (Act 56 of 2003)
* **CFO-** Chief Financial Officer
* **MM-** Municipal Manager

INDEX

1: LEGAL COMPLIANCE

2: OBJECTIVE OF INVESTMENT POLICY

3: EFFECTIVE CASH MANAGEMENT

3.1 Cash Collection

3.2 Payments to Creditors

3.3 Management of Inventory

3.4 Cash Management Program

4: INVESTMENT ETHICS

5: INVESTMENT PRINCIPLES

5.1 Limiting Exposure

5.2 Risk and Return

5.3 Payment of Commission

5.4 Call Deposits and Fixed Deposits

5.5 Restriction on Tenure of Investments

6: CONTROL OVER INVESTMENTS

7: OTHER EXTERNAL INVESTMENTS

8: BANKING ARRANGEMENTS

9: RAISING OF DEBT

10: INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES

11: INTEREST ON INVESTMENTS

12: ANNEXURE I: PARAPHRASE OF REQUIREMENTS OF MUNICIPAL FINANCE

MANAGEMENT ACT NO. 56 OF 2003

13: ANNEXURE II: CODE OF PRACTICE

**1. LEGAL COMPLIANCE**

The Council shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003. This policy must be read with the MFMA and the regulations promulgated under the Act.

**2. OBJECTIVE OF THE POLICY**

The council of the municipality is the trustee of the public revenues, which it collects, and it therefore has an obligation to the community to ensure that the municipality’s cash resources are managed effectively and efficiently. The council 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.

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 program, 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.

In addition, the objective is to obtain the optimal balance between available cash and cash investments.

**3. EFFECTIVE CASH MANAGEMENT**

**3.1 Cash Collection**

All monies due to the municipality must be collected as soon as possible, either on or immediately after due date, and banked on a daily basis. The respective responsibilities of the Chief Financial Officer and other heads of departments in this regard is defined in a code of financial practice approved by the Municipal Manager and the Chief Financial Officer. The municipality’s credit control policy is an integral part of proper cash collections, and by approving the present policy Council pledges itself to such support and commitment.

**3.2 Expenditure management**

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

(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, authorization, withdrawal and payment of funds;

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

(i) recognizes 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 cheque provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a limit of R 50 000;

(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;

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

Consider including a section for responsibilities of the CFO, as follows:

The chief financial officer shall take the necessary steps to ensure that:

* all tenders and quotations invited by and contracts entered into by the municipality stipulate payment terms favorable to the municipality
* The invitation of tenders and quotations and the payment of creditors will take place in terms of the supply chain management policy
* Payments are made within 30 days of receipt of the supplier’s invoice
* Full use is made of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if the chief financial officer determines that there are financial incentives for the municipality to do so.
* Process payments, for accounts received, more than once in each calendar month, such processing to take place on or about the end of the month concerned. Wherever possible, payments shall be affected by means of electronic transfers rather than by cheques.
* Special payments to creditors shall only be made with the express approval of the chief financial officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end processing.

**3.3 Management of Inventory**

Each head of department shall ensure that such department’s inventory levels do not exceed normal operational requirements in the case of items which are not readily available from suppliers, and emergency requirements in the case of items which are readily available from suppliers.

Each head of department shall periodically review the levels of inventory held, and shall ensure that any surplus items be made available to the Chief Financial Officer for sale at a public auction or by other means of disposal, as provided for in the municipality’s supply chain management policy.

**3.4 Cash Management Program**

The CFO shall prepare an annual estimate of the municipality’s cash flows divided into calendar months, and shall update this estimate on a monthly basis. The estimate shall indicate when and for what periods and amounts surplus revenues may be invested, when and for what amounts investments will have to be liquidated, and when – if applicable – either long-term or short-term debt must be incurred. Heads of departments shall in this regard furnish the CFO with such information as required, timeously and in the format indicated.

The CFO shall report to the Mayor on a monthly basis and to every ordinary council meeting the cash flow estimate or revised estimate for such month or reporting period respectively, together with the actual cash flows for the month or period concerned, and cumulatively to date, as well as the estimates or revised estimates of the cash flows for the remaining months of the financial year, aggregated into quarters where appropriate. The cash flow estimates shall be divided into calendar months, and in reporting the CFO shall provide comments or explanations in regard to any significant cash flow deviation in any calendar month forming part of such a report. The report shall also indicate any movements in respect of the municipality’s investments, together with appropriate details of the investments concerned.

**4. INVESTMENT ETHICS**

The CFO shall be responsible for investing the surplus revenues of the municipality, and shall manage such investments in consultation with the MM or a person delegated by the latter 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 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 Municipal Manager or a delegated person, shall not accede to any influence by or interference from councilors, investment agents or institutions or any other outside parties. Neither the chief financial officer nor the Municipal Manager or the delegated person may accept any gift, from any investment agent or institution or any party with which the municipality has made or may potentially make an investment.

**5. INVESTMENT PRINCIPLES**

**5.1 Limiting Exposure**

Where large sums of money are available for investment the chief financial officer shall ensure that they are invested with more than one institution, wherever practicable, in order to limit the risk exposure of the municipality. The CFO shall further ensure that, as far as it is practically and legally possible, the municipality’s investments are so distributed that more than one investment category is covered (that is, call, money market and fixed deposits).

**5.2 Risk and Return**

Although the objective of the chief financial officer in making investments on behalf of the municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved in 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. Deposits shall be made only with registered deposit-taking institutions

**5.3 Payment of Commission**

Every financial institution with which the municipality makes an investment must issue a certificate to the chief financial officer in 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.

**5.4 Call Deposits and Fixed Deposits**

Before making any call or fixed deposits, the chief financial officer, shall obtain quotations from at least three financial institutions. Given the volatility of the money market, the chief financial 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 on 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 only to such institution itself and not to any agent or third party. Once the investment has been made, the chief financial officer shall ensure that the municipality receives a properly documented receipt or certificate for such investment, issued by the institution concerned in the name of the municipality.

**5.5 Restriction on Tenure of Investments**

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

**5.6 Permitted investments**

A council may invest funds only in any of the following investment types as may be appropriate to the anticipated future need for the funds:

a) securities issued by the national government;

b) listed corporate bonds with an investment grade rating from a nationally or internationally recognized credit rating agency;

c) deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);

d) deposits with the Public Investment Commissioners as contemplated by the Public

Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of 1984);

e) deposits with the Corporation for Public Deposits as contemplated by the corporation for

Public Deposits Act, 1984 (Act No. 46 of 1984);

f) banker’s acceptance certificates or negotiable certificates of deposit of banks registered

in terms of the Banks Act, 1990;

g) guaranteed endowment policies with the intention of establishing a sinking fund;

h) repurchase agreements with banks registered in terms of the Banks Act, 1990;

i) municipal bonds issued by 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. CONTROL OVER INVESTMENTS**

The chief financial officer shall ensure that proper records are kept of all investments made by the municipality. Such records shall indicate the date on which the investment is made, the institution with which the monies are invested, the amount of the investment, the interest rate applicable, and the maturity date. If the investment is liquidated at a date other than the maturity date, such date shall be indicated.

The chief financial officer shall ensure that all interest and capital properly due to the municipality are timeously received, and shall take appropriate steps or cause such appropriate steps to be taken if interest or capital is not fully or timeously received. The chief financial officer shall ensure that all investment documents and certificates are properly secured in a fireproof safe with segregated control over the access to such safe.

**7. OTHER EXTERNAL INVESTMENTS**

From time to time, it may be in the best interests of the municipality to make longer-term investments in secure stock issued by the national government, Eskom or any other reputable parastatal or institution, or by another reputable municipality. In such cases the chief financial officer, 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.

No investment with a tenure exceeding twelve months shall be made without the prior approval of the mayor and without guidance having been sought from the municipality’s bankers or other credible investment advisers on the security and financial implications of the investment concerned.

**8. BANKING ARRANGEMENTS**

The municipal manager is responsible for the management of the municipality’s bank accounts, but may delegate this function to the chief financial officer. The municipal manager and chief financial officer are authorized at all times to sign cheques and any other documentation associated with the management of such accounts. The chief financial officer is authorized to appoint two or more additional signatories in respect of such accounts, and to amend such appointments from time to time. The list of current signatories shall be reported to the Mayor on a monthly basis, as part of the report dealing with the municipality’s investments.

In compliance with the requirements of good governance, the municipal manager shall open a bank account for ordinary operating purposes, and shall further maintain a separate account for: the administration of the external finance fund. One or more separate accounts shall also be maintained for purposes as may be prescribed by the Act. In determining the number of additional accounts to be maintained, the municipal manager, in consultation with the chief financial officer, shall have regard to the number of transactions affecting each of the accounts referred to. Unless there are compelling reasons to do otherwise, and the council expressly so directs, all the municipality’s bank accounts shall be maintained with the same banking institution to ensure pooling of balances for purposes of determining the interest payable to the municipality.

The municipal manager shall invite tenders for the placing of the municipality’s bank accounts within six months after the election of each new council, such new banking arrangements to take effect from the first day of the ensuing financial year. However, such tenders may be invited at any earlier stage, if the

MM, in consultation with the chief financial officer, is of the opinion that the services offered by the municipality’s current bankers are materially defective, or not cost-effective.

To consider adding a section, as “Information to the Auditor-General”:

The chief financial officer will notify the Auditor General within 30 days after the end of the financial year of all the bank accounts, indicating:

* The type and number of the account
* Opening and closing balances of that account in that financial year.
* Any information as requested

**9. RAISING OF DEBT**

The MM is responsible for the raising of debt, but may delegate this function to the CFO, who shall then manage this responsibility in consultation with the MM. All debt shall be raised in strict compliance with the requirements of the Municipal Finance Management Act (MFMA) 2003, and only with the prior approval of the 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 component of the approved annual budget or adjustments 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 obligations, and provided the need for such short-term debt, both as to extent and duration, is clearly indicated in the cash flow estimates prepared by the chief financial officer. Short-term debt shall be raised only to anticipate a certain long-term debt agreement or a certain inflow of operating revenues.

**10. INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES**

In managing the municipality’s investments, the chief financial 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 principal 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 the 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 financial 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.

**11. INTEREST ON INVESTMENTS**

The interest accrued on all the municipality’s investments shall, in compliance with the requirements 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 the case of the external finance fund, the chief financial 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 any such funds, that is, an amount surplus to the resources required in respect of such funds or accounts, such surplus amount shall be credited by the chief financial officer to the appropriation account and re-appropriated to the asset financing reserve.

To consider adding the following:

Accounting for interest earned:

The Chief Financial Officer will ensure that interest is accounted for as follows:

* The interest accrued on all the municipality’s investments shall be recorded in the first instance in the municipality’s current account as ordinary operating revenues.
* Thereafter this interest is appropriated, at the end of each month, to the fund or account in respect of which such investment was made.

Payment of interest on investments:

* All interest earned on Council investments shall be credited to Council’s current account
* Accrued interest on active investments shall be paid on the last working day of each month.
* Closing interest shall be paid with the maturing capital on the expiry date

**12. PARAPHRASE OF REQUIREMENTS OF MUNICIPAL FINANCE**

**MANAGEMENT ACT NO 56 OF 2003**

**SECTION 7: OPENING OF BANK ACCOUNTS**

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

A municipality may not open a bank account:

 Otherwise than in the name of the municipality;

 Abroad; or

 with an institution not registered as a bank in terms of the Banks Act 1990.

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

**SECTION 8: PRIMARY BANK ACCOUNT**

Every municipality must have a primary bank account, and if the municipality has only one bank account that account is its primary bank account. If the municipality has more than one bank account, it must designate one of those bank accounts as its primary bank account.

The following must be paid into the municipality’s primary account:

 All allocations to the municipality;

 All income received by the municipality on its investments;

 All income received by the municipality in connection with its interest in any municipal entity;

 All money collected by a municipal entity or other external mechanism on behalf of the municipality, and;

 any other monies as may be prescribed.

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

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

**AUDITOR-GENERAL**

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

**SECTION 10: CONTROL OF MUNICIPAL BANK ACCOUNTS**

The accounting officer of the municipality must administer all the municipality’s bank accounts, is accountable to the municipal council for the municipality’s bank accounts, and must enforce compliance with Sections 7, 8 and 11 of the present Act.

The accounting officer may delegate the duties referred to above only to the municipality’s chief financial officer.

**SECTION 11: WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS**

Only the accounting officer or the chief financial officer of the municipality (presumably where this power has been appropriately delegated), or any other senior financial official of the municipality acting on the written authority of the accounting officer, may withdraw money or 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 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 investments for cash management purposes in accordance with Section 13;

 defray increased expenditure in terms of Section 31; or

 for such other purposes as may be prescribed.

(Note that Section 11(1) does not expressly provide for the withdrawal of monies to pay creditors, where the relevant obligations arose in terms of the previous budget; to repay loans; or to repay consumer deposits).

Any authorization to a senior financial official to withdraw money or to authorize the withdrawal of money from a bank account must be in accordance with the framework as may be prescribed. The accounting officer may not authorize any official other than the chief financial officer to withdraw money or to authorize the withdrawal of money from the municipality’s primary bank account if the municipality has a primary bank account which is separate from its other bank accounts.

The accounting officer must, within 30 days after the end of each quarter, table in council a consolidated report of all withdrawals made other than withdrawals to defray expenditure appropriated in terms of the approved budget, and submit a copy of the report to the relevant provincial treasury and the Auditor-General.

**SECTION 12: RELIEF, CHARITABLE, TRUST OR OTHER FUNDS**

No political structure or office bearer of the municipality may set up a relief, charitable, trust or other fund of whatever description, except in the name of the municipality. Only the municipal manager may be the accounting officer of any such fund.

-A municipality may open a separate bank account in the name of the municipality for the purpose of such relief, charitable, trust or other fund. Money received by the municipality for the purpose of such fund must be paid into the bank account of the municipality, or if a separate bank account has been opened for such fund, into that account.

-Money in a separate account opened for such fund may be withdrawn from the account without appropriation in terms of the approved budget, but only by or on the written authority of the accounting officer, acting in accordance with decisions of the council, and for the purposes for which, and subject to any conditions on which, the fund was established or the money in the fund was donated.

**SECTION 13: CASH MANAGEMENT AND INVESTMENTS**

The Minister, acting with the concurrence of the cabinet member responsible for local government, may prescribe a framework within which municipalities must conduct their cash management and investments, and invest money not immediately required.

A municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be so prescribed.

A bank where the municipality at the end of the financial year holds a bank account, or held a bank account at any time during such financial year, must, within 30 days after the end of such financial year, notify the Auditor-General, in writing, of such bank account, indicating the type and number of the account, and the opening and closing balances of that account in that financial year. The bank must also promptly disclose any information regarding the account when so requested by the national treasury or the Auditor-General.

A bank, insurance company or other financial institution which the end of the financial year holds, or at any time during the financial year held, an investment for the municipality, must, within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that investment, including the opening and closing balances of that investment in that financial year. Such institution must also promptly disclose any information regarding the investment when so requested by the national treasury or the Auditor General.

**SECTION 17: CONTENTS OF ANNUAL BUDGETS AND SUPPORTING DOCUMENTS**

The following documents must accompany each tabled draft annual budget (inter alia):

 a projection of cash flows for the budget year by revenue source, divided into calendar months

 particulars of the municipality’s investments.

**13: ANNEXURE II: CODE OF PRACTICE IN REGARD TO PAYMENTS, REVENUE**

**COLLECTION AND STORES**

Within such general buying and related procedures as the chief financial officer shall from time to time determine, and further within the confines of any relevant legislation and of such rules and procedures as may be determined by the mayor:

-all buying contracts shall be administered by the chief financial officer, and all payments relating to such contracts shall be authorized by the chief financial officer or the head of department concerned; and

-all other contracts, including building, engineering and other civil contracts shall be administered by the head of department concerned, and all payments relating to such contracts shall be 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 financial officer for payment.

**2. PAYMENTS**

2.1 All payments, other than petty cash disbursements, shall be made through the municipality’s bank account(s).

2.2 The chief financial officer shall draw all cheques on this account, and shall, in consultation with the municipal manager and with due regard to the council’s policy on banking and investments, determine the rules and procedures relating to the signing of cheques, and from time to time decide on appropriate signatories.

2.3 All requests for payments of whatever nature shall be submitted on payment vouchers, the format of which shall be determined by the chief financial officer. Such vouchers shall be authorized in terms of such rules and procedures as are determined from time to time by the chief financial officer.

2.4 The maximum amount and nature of petty cash disbursements, where not covered by the general buying procedures referred to in Section 2, shall be generally determined from time to time by the chief financial officer. No cash float shall be operated without the authority of the chief financial officer, who may prescribe such procedures relevant to the management of such float as are considered necessary.

2.5 The chief financial officer shall be responsible for the payment of all salaries and remuneration benefits to employees and councilors, and for the determination of the payment system to be used.

**3. REVENUE AND CASH COLLECTION**

3.1 Every head of department shall be responsible for the collection of all moneys falling

within the ambit and area of his or her designated functions.

3.2 The chief financial officer shall ensure that all revenues are properly accounted for.

3.3 The collection of all arrear revenues and the control of arrear accounts shall be coordinated by the chief financial officer in terms of the credit control policy of council.

3.4 The chief financial 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.

**4. BANKING OF RECEIPTS**

4.1 Guidelines and procedures for the banking of cheques and other receipts shall, if necessary, be determined from time to time by the chief financial officer.

4.2 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 CFO.

**SIGNATURE**

This document represents the Cash Management and Investment Policy for the Local Municipality of Ditsobotla and is signed by the Municipal Manager in accordance with a decision of the Municipality.

NAME: ……………………………………. DATE: ……………………..

SIGNATURE: ……………………………………..