

BANKING AND INVESTMENT POLICY

<u>Policy:</u>	Effective Date:
Approved:	Review Date: 31 March 2020

Notwithstanding the review date herein, this policy shall remain effective until such time approved otherwise by Council and may be reviewed on an earlier date if necessary.

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PART 1:

1. SCOPE

This policy applies to all banking and investments made by Nketoana Local Municipality (NLM). in terms of the Act.

PART 2:

2. DEFINITIONS

In this Banking and Investment Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned, shall mean:

- (a) **“council”** means the Municipal Council of the Nketoana Local Municipality, its legal successors in title and its delegates;
- (b) **“Chief Financial Officer”** means the person who is appointed by the Council as the CFO for the Municipality or his / her delegate;
- (c) **“Municipal Manager”** means the person who is appointed by the Council as the head of the administration and as for the Municipality in accordance with section 82 of the Municipal Structure Act or his / her delegate;
- (d) **“SMME”** means small, medium and micro enterprises in the supply chain management systems of the Municipality;
- (e) **“Investment”**, in relation to funds of a municipality, means;
 - * the placing on deposit of funds of a municipality with a financial institutions; or
 - * the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds.

Investment Regulations” refers to the regulations as prescribed under the MFMA (Act No. 56 Of 2003) through Government Gazette No. 27431 dated 1 April 2005.

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

- advise on investments or
- _ manage investments on its behalf.

“Liquidity” refers to a financial ability of the municipality or any other company to service its debts when falling due,

PART 3:

3. LEGAL COMPLIANCE

The municipality 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 and Regulations promulgated under the Act.

Applicable sections of this Act are attached as Annexure I to this policy.

PART 4:

4. OBJECTIVES OF INVESTMENT POLICY

- (1) The Council is the trustee of the municipal funds, 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) The council therefore has a responsibility to invest these public funds knowledgeably and judiciously, and must be able to account fully to the community in regard to such investments.

- (3) The investment policy of the municipality is therefore aimed at gaining the optimal return in investments, without recklessly incurring undue risks, during those periods when cash revenues are not needed for capital purposes.
- (4) 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.
- (5) Ensuring that investments are placed with reputable institutions, for the purpose of safety of capital investment, and diversification of the Investment Portfolio,

PART 5:

5. EFFECTIVE CASH MANAGEMENT

5.1 Cash Collection

- (1) All revenue due to the municipality shall be calculated on a monthly basis unless in particular instances where monthly accounts are uneconomical. All monies due to the municipality must be collected as soon as possible, either on or immediately after their due date, and banked on the primary or other specific and related account/s. The municipality should strive by all means to collect monies due to it before their due date.
- (2) The respective responsibilities of the Chief Financial Officer (CFO) and other Managers in this regard is defined in a code of Financial Practice approved by the Accounting Officer and the CFO, and this code of practice is attached as Annexure II to this policy.
- (3) The unremitting support of and commitment to the municipality's credit control policy, both by the council and the municipality's officials, is an

integral part of proper cash collections, and by approving the present policy the council pledges itself to such support and commitment.

5.2 Payments to Creditors

(1) The CFO and all officials delegated with powers to enter into contracts on behalf of the municipality shall ensure that all tenders and quotations invited by and contracts entered into by the municipality stipulate payment terms favourable 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 rendered to or goods are received by the municipality.

This rule shall be departed from only where there are financial incentives for the municipality to effect earlier payment, and the CFO taking into consideration the financial position of the municipality, shall approve any such departure before any payment is made.

(2) In the case of SMME's, where such a policy may cause financial hardship to the contractor, payment may be effected at the conclusion of the month during which such service is rendered or within seven days of the date of receipt of the invoice for services rendered, whichever is the later. The CFO shall approve any such early payment before any payment is effected.

(3) Notwithstanding the foregoing policy directives, The CFO or a delegated official 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 CFO or a delegated official determines that there are financial incentives for the municipality to do so.

(4) The CFO or a delegated official shall not ordinarily 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 effected by means of electronic transfers rather than by non-transferable cheques. Cash, non-transferable or cash cheques may be used only for payment in exceptional cases and then only for payments of up to **R 1 000.00** in cash and non-transferable cheques for up to **R 50 000.00** per transactional invoice

- (5) Special payments to creditors shall only be made with the express approval of the CFO, who shall be satisfied that there are compelling reasons for making such payments prior to the normal processing.

5.3 Management of Inventory

- (1) Each Head of Department shall ensure that such department's inventory levels do not exceed normal operational requirements in the case of items, which are not readily available from suppliers, and emergency requirements in the case of items, which are readily available from suppliers.
- (2) Each head of department shall periodically review the levels of inventory held, and shall ensure that any surplus items be made available to the CFO for sale at a public auction or by other means of disposal, as approved for in the municipality's Supply Chain Management Policy

5.4 Cash Management Programme

- (1) The CFO shall prepare an annual estimate of the municipality's cash flows divided into calendar month, 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.

- (2) Heads of departments shall in this regard furnish the CFO with all such information as is required, timeously and in the format indicated.
- (3) The CFO shall report to the executive committee, as the case may be, 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.
- (4) 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 movements in respect of the municipality's investments, together with appropriate details of the investments concerned.

PART 6:

6. INVESTMENT ETHICS

- (1) The CFO shall be responsible for investing the surplus revenues of the municipality, and shall manage such investments in consultation with the chairperson of the executive committee and in compliance with any policy directives formulated by the Council and prescriptions made by the Minister of Finance.
- (2) In making such investments the CFO, 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 chairperson of the executive committee, as the case may be, shall not accede to any influence by or interference from councilors, Investment agents or institutions or any other party either inside or outside the municipality

- (3) Neither the CFO, the delegated official nor the 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 constructed 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.

PART 7

7. INVESTMENT PRINCIPLES

7.1 Limiting Exposure

- (1) Where surplus funds are available for investment the CFO 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).
- (2) Investments which are determined to be inconsistent with the objective of preserving and protecting the principal amount are prohibited.

7.2 Risk and Return

- (1) Although the objective of the CFO in making investments on behalf of the municipality shall always be to obtain the best interest rate on offer, this

consideration must be influenced by the degree of diversification required by the policy.

- (2) No investment shall be made with an institution where it does not meet the requirements.

7.3 Permitted Investments

- (1) From time to time it may be in the best interest of the municipality to make long-term investments. In such cases the CFO, 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.
- (2) A municipality or municipal entity may invest funds only in any of the following investment types.
 - (3) Securities issued by the national government;
 - (4) 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;
 - (5) deposits with the Public Investment Commissioner as contemplated by the Public Investment Commissioners Act, 1984 (Act No 45 of 1984);
 - (6) deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No 46 of 1984);
 - (7) 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;

(8) Guaranteed endowment policies (with credit worthy institutions), with the intention of establishing a sinking fund;

(9) Municipal bonds issued by a municipality; and

(10) 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.

(11) Repurchase agreements with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990),

7.4 Payment of commission

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

(2) Every financial institution with which the municipality makes an investment must issue a certificate to the CFO 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 benefit to any party for obtaining such investment.

7.5 Calls Deposits and Fixed Deposits

(1) Before making any call or fixed deposits, the CFO, shall obtain quotations from at least three financial institutions.

(2) Given the volatility of the money market, the CFO, shall whenever necessary, request quotations telephonically, and shall record and keep on file 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 on maturity, and so forth);

(3) 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).

(4) 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 CFO 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.

7.6 Restriction on Tenure of Investments

(1) No investment with a maturity date exceeding twenty four months shall be made without the prior approval of the the executive committee or the council, as the case may be.

PART 8

8. CONTROL OVER INVESTMENTS

(1) The CFO shall ensure that proper records are kept of all investments made by the municipality. Such records shall indicate that 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.

(2) The CFO 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.

(3) The CFO shall ensure that all investment documents and certificate are properly secured in a fireproof safe with segregated control over the access to safe, or are otherwise lodged for safekeeping with the municipality's bankers or attorneys.

PART 9

9. OTHER EXTERNAL INVESTMENTS

(1) From time to time it may be in the best interest 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.

(2) In such cases the CFO, 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.

(3) No investment with a tenure exceeding twelve months shall be made without the approval of the chairperson of the executive committee or the council, as the case may be, and without guidance having been sought from the municipality's bankers or other credible investment advisors on the security and financial implications of the investment concerned.

PART 10

10. BANKING ARRANGEMENTS

- (1) The Municipal Manager is responsible for the management of the municipality's bank accounts. The Municipal Manager may without abdicating his/her overall and overseeing authority and responsibility partly or otherwise delegate this function to the CFO. The Municipal Manager and CFO are authorized at all times to sign cheques and any other documentation associated with the management of such accounts. Each cheque or electronic payments must be signed by at least two authorised signatories.

- (2) The Municipal Manager, in consultation with the CFO, at a time may appoint one or more additional signatories in respect of such accounts, and to amend such appointments from time to time. The list of current signatories shall be reported to the Executive committee, on a monthly basis, as part of the report dealing with the municipality's investments.

- (3) In compliance with the requirements of good governance, the accounting officer shall open a primary bank account in the name of the municipality for ordinary operating purposes. The Municipal Manager may further maintain a separate account in the name of the municipality. The following monies must be deposited into the primary account: (see) section 8 (2) (a) to (d)
 - a. the administration of the external finance fund (loans)
 - b. the asset financing reserve
 - c. capital receipts in the form of grants, donations or contributions from whatever
 - d. trust funds
 - e. the municipality's self-insurance reserve

- (4) In determining the number of additional accounts to be maintained, the Municipal Manager, in consultation with the CFO, shall have regard to the likely number of transactions affecting each of the accounts referred to.
- (5) 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.
- (6) 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.
- (7) However, such tenders may be invited at any earlier stage, if the Municipal Manager, in consultation with the chief financial officer, is of the opinion that the services offered by the municipality's current bankers are materially defective, or not cost-effective, and the Executive Committee, as the case may be, agrees to the invitation of such tenders.

PART 11

11. RAISING OF DEBT

- (1) The Municipal Manager is responsible for the raising of short-term loans. The Municipal Manager may delegate the debt management function to the CFO, who shall then manage this responsibility in consultation with the Municipal Manager. All short-term loans shall be raised in strict compliance with the requirements of chapter 6 of the Municipal Finance Management Act 2003, and only with the approval of the council.

- (2) Long-term debt shall be raised only to the extent that such debt is provided for as a source of necessary finance for capital expenditure relating to property or equipment necessary to enable the municipality to render services and long-term refinancing purposes.
- (3) Short-term loans 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 loans, both as to extent and duration, is clearly indicated in the cash flow estimates prepared by the CFO.
- (4) Short-term debt shall be raised only to anticipate a certain long-term debt agreement enforceable allocations or a certain inflow of operating revenues.

PART 12

12. INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES

- (1) In managing the municipality's investments, the CFO shall ensure that, whenever a long-term (non-annuity) loan is raised by the municipality, an amount is invested at least annually towards the redemption of the loan on establishing a sinking fund to redeem the loan on maturity.
- (2) Such investment may 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.

PART 13

13. INTEREST ON INVESTMENTS

- (1) The interest accrued on all the municipality's investments shall, in compliance with the requirements of Generally Recognised Accounting Practice / Generally Accepted Municipal Accounting Practice, be recorded in the first instance in the municipality's primary 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.
- (2) 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.
- (3) 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 reappropriated to the asset financing reserve.

PART 14

14. REVIEW OF POLICY

- (1) The Executive Committee shall review the policy annually before the start of each financial year.

ANNEXURE I:

1. PARAPHRASE OF REQUIREMENTS OF MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003

- (1) Note: In terms of Section 60(2) of the Municipal Systems Act No. 32 of 2000 the council may delegate the authority to take decisions on making investments on behalf of the municipality only to the Executive Committee or Chief Financial Officer.
- (2) This policy is based on the assumption that such authority has been delegated to the Chief Financial Officer.

2. OPENING OF BANK ACCOUNTS (SECTION 7)

- (1) 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.
- (2) 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 (Act 94 of 1990)
- (3) Money may be withdrawn from the municipality's bank account only in accordance with the requirements of Section 11 of the present Act.

3. PRIMARY BANK ACCOUNT (SECTION 8)

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.

4. BANK ACCOUNT DETAILS TO BE SUBMITTED TO PROVINCIAL TREASURIES AND AUDITOR GENERAL (SECTION 9)

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.

5. CONTROL OF MUNICIPAL BANK ACCOUNTS(SECTION 10)

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.

6. WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS (SECTION 11)

Only the Accounting Officer or the Chief Financial Officer of the municipality (presumably where this power has been appropriately delegated), or any other Senior Financial Official of the municipality acting on the written authority of the accounting officer, may withdraw money or authorise the withdrawal of money from any of the municipality's bank accounts. Such withdrawals may be made only to:

- defray expenditure appropriated in terms of an approved budget
- defray expenditure authorised in terms of Section 26(4) of the Act (this Section deals with situations in which the budget was not timeously approved, and the province has been compelled to intervene)
- defray unforeseeable and unavoidable expenditure authorised in terms of Section 29(1) of the Act
- in the case of a bank account opened in terms of Section 12 of the Act, make payments from the account in accordance with Section 12(4) of the Act

- 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 of the Act
- defray increased expenditure in terms of Section 31 of the Act; or
- for such other purposes as may be prescribed

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

Any authorisation to a Senior Financial Official to withdraw money or to authorise the withdrawal of money from a bank account must be in accordance with the framework as may be prescribed. The Accounting Officer may not authorise any official other than the Chief Financial Officer to withdraw money or to authorise the withdrawal of money from the municipality's primary bank account if the municipality has a primary bank account, which is separate from its other bank accounts.

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

7. RELIEF, CHARITABLE, TRUST OR OTHER FUNDS (SECTION 12)

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.

8. CASH MANAGEMENT AND INVESTMENTS (SECTION 13)

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.

9. CONTENTS OF ANNUAL BUDGETS AND SUPPORTING DOCUMENTS (SECTION 17)

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

10. PUBLICATION OF ANNUAL BUDGETS (SECTION 22)

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).

11. NATIONAL AND PROVINCIAL ALLOCATIONS TO MUNICIPALITIES (SECTION 36)

In order to provide predictability and certainty about the sources and levels of intergovernmental funding for municipalities, the Accounting Officer of a National or Provincial Department and the accounting authority of a National or Provincial Public Entity responsible for the transfer of any proposed allocations to a municipality, must by no later than 20 January of each year notify the National Treasury or the relevant Provincial Treasury as may be appropriate, of all proposed allocations and the projected amounts of those allocations to be transferred to each municipality during each of the next 3 financial years.

The Minister or the MEC responsible for Finance in the province must, when tabling the national annual budget in the National Assembly or the provincial annual budget in the Provincial Legislature, make public particulars of any allocations due to each municipality in terms of that budget, including the amount to be transferred to the municipality during each of the next 3 financial years.

12. PROMOTION OF CO-OPERATIVE GOVERNMENT BY MUNICIPALITIES (SECTION 37)

In order to enable municipalities to include allocations from other municipalities in their budgets and to plan effectively for the spending of such allocations, the Accounting Officer of every municipality responsible for the transfer of any

allocation to another municipality, must, by no later than 120 days before the start of its budget year, notify the receiving municipality of the projected amount of any allocation proposed to be transferred to that municipality during each of the next 3 financial years.

13. SHORT-TERM DEBT (SECTION 45)

The municipality may incur short-term debt only in accordance with and subject to the provisions of the present Act, and only when necessary to bridge

- shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic income to be received within that financial year;
- or to bridge capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.

The council may:

- approve a short-term debt transaction individually,
- approve an agreement with a lender for a short-term credit facility to be accessed as and when required, including a line of credit or bank overdraft facility, provided that:
 - the credit limit must be specified in the resolution of the council;
 - the terms of the agreement, including the credit limit, may be changed only by a resolution of the council; and
 - if the council approves a credit facility limited to emergency use, the Accounting Officer must notify the council in writing as soon as practicable of the amount, duration and cost of any debt incurred in

terms of such a credit facility, as well as the options available for repaying such debt.

The municipality:

- must pay off short-term debt within the financial year in which it was incurred, and
- may not renew or refinance short-term debt, whether its own debt or that of any municipal entity, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.

14. LONG-TERM DEBT (SECTION 46)

A municipality may incur long-term debt only in accordance with and subject to any applicable provisions of the present Act, and only for the purpose of:

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

15. CONDITIONS APPLYING TO BOTH SHORT-TERM AND LONG-TERM DEBT (SECTION 47)

The municipality may incur debt only if the debt is denominated in rand and is not indexed to, or affected by, fluctuations in the value of the rand against any foreign currency.

16. REVENUE MANAGEMENT (SECTION 64)

The Accounting Officer of the municipality is responsible for the management of the revenue of the municipality. The Accounting Officer, must, among other things, take all reasonable steps to ensure that all money received is promptly deposited in accordance with the requirements of the present Act into the municipality's primary and other bank accounts.

The Accounting Officer must also ensure that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled on at least a weekly basis.

The Accounting Officer must take all reasonable steps to ensure that any funds collected by the municipality on behalf of another organ of state are transferred to that organ of state at least on a weekly basis, and that such funds are not used for purposes of the municipality.

17. EXPENDITURE MANAGEMENT (SECTION 65)

The Accounting Officer of the municipality is responsible for the management of the expenditure of the municipality.

The Accounting Officer must take all reasonable steps to ensure, among other things, that payments made by the municipality are made direct to the person to whom they are due, unless agreed otherwise for reasons as may be prescribed, and either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit.

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

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

ANNEXURE II:

Code of Practice In Regard To Payments, Revenue Collection and Stores

1. Stores Administration

The Chief Financial Officer shall be responsible for the proper administration of all stores. If sub-stores are established under the control of any head of Department, such head of Department shall be similarly responsible for the proper administration of such sub-store, and in doing so shall comply with the stock level policies as determined from time to time by the Chief Financial Officer, acting in consultation with the head of Department concerned. No sub-store may be established without the prior written consent of the Chief Financial Officer.

2. Contracts Management

Within such general buying and related procedures as the Chief Financial Officer shall from time to time determine, and further within the confines of any relevant legislation and of such rules and procedures as may be determined by the Executive Committee, as the case may be:

- all buying contracts shall be administered by the Chief Financial Officer, and all payments relating to such contracts shall be authorised by the Chief Financial Officer or the head of department concerned; and
- all other contracts, including building, engineering and other civil contracts shall be administered by the head of department concerned, and all payments relating to such contracts shall be authorised by such head of department in accordance with the provisions of Section 25.3 below. The head of department concerned shall ensure that all payment certificates in regard to

contracts are properly examined and are correct in all respects - before being submitted to the Chief Financial Officer for payment.

3. Payments

- All payments, other than petty cash disbursements, shall be made through the municipality's bank account(s).
- 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.
- All requests for payments of whatever nature shall be submitted on payment vouchers, the format of which shall be determined by the chief financial officer. Such vouchers shall be authorised in terms of such rules and procedures as determined from time to time by the Chief Financial Officer.
- The Chief Financial Officer shall generally determine petty disbursements from time to time. 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.
- The Chief Financial 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 Financial Officer shall ensure that all revenues are properly accounted for.
- The collection of all arrear revenues and the control of arrear accounts shall be co-ordinated by the Chief Financial Officer in terms of any policies

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determined by the council. If it is clear that any revenues are not recovered or likely to be recovered after the necessary steps have been taken, the Chief Financial Officer shall report the matter adequately and timeously to the finance and executive committees.

- 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.

5. Banking Of Receipts

- The Chief Financial Officer shall if necessary, determine guidelines and procedures for the banking of cheques and other receipts from time to time.
- 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 Financial Officer.

ANNEXURE 11.1

APPLICABLE SECTIONS OF MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003

The above policy must be read in conjunction with the following sections of the Act:

- (2) Section 7-Opening of Bank Accounts
- (3) Section 8-Primary Bank Accounts
- (4) Section 9-Bank Account details to be submitted to Provincial Treasury and Auditor General
- (5) Section 10-Control of Municipal Bank Accounts
- (6) Section 11-Withdrawal from Municipal Bank Accounts

AUTHORITY

Formulation Policy	:	Chief Financial Officer
Authorization Policy	:	Council
Ownership & Maintenance Manager	:	Budget Manager