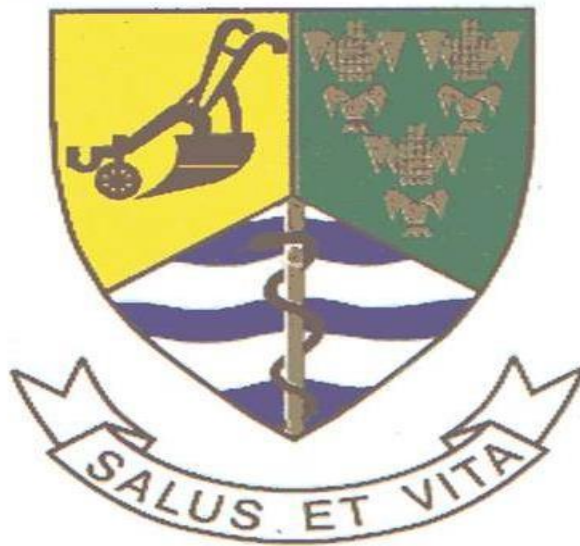




BELA-BELA LOCAL MUNICIPALITY



CASH MANAGEMENT AND INVESTMENT POLICY

DRAFT

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FOREWORD

In terms of Section 13(2) of the Local Government: Municipal Finance Management Act No.56 of 2003, a municipality must establish an appropriate and effective cash management and Investment policy;

And whereas section 7 of the MFMA determines that a Municipality must open and maintain at least one bank account in the name of the municipality and that all monies received by the municipality must be paid into its bank account or accounts and must be done promptly and in accordance with the provisions of this section;

Section 8 of the MFMA further states that a municipality must have a primary bank account. If the municipality has only one bank account the account shall be deemed to be its primary bank account or if a municipality has more than one bank account, the municipality must designate one of those bank accounts as its primary bank account.

1. LEGISLATIVE FRAME WORK

- (a) Legislation – Local Government: Municipal Finance Management Act 56 of 2003 (as amended)
- (b) Treasury Regulations in terms of section 13 of the MFMA (as Amended)

2. OBJECTIVES

- (a) To maintain a sound and secure cash management and investment mechanism of the municipality by establishing effective internal controls for the management of the municipality's bank accounts, Investments, cash-flows and related financial matters.
- (b) To maximise returns from authorized investments, consistent with the secondary objective of minimizing risks
- (c) To ensure compliance with all legislation governing the investment of public funds
- (d) To undertake the investment of funds not immediately required for operational purposes in a prudent financial manner
- (e) To ensure diversification of permitted investments
- (f) To maintain adequate liquidity to meet cash flows needs



(g) Compliance with GRAP Standards in terms of accountability and reporting

3. CASHFLOW MANAGEMENT POLICY

3.1 General Policy

The municipality, from time to time, has cash flow surpluses and borrowing requirements as a result of daily cash receipts from debtors, government allocations and payment of creditors/suppliers.

Controls should be in place to ensure that all revenues collected are receipted and accounted for and that expenditure incurred is duly authorised, recorded and accounted for.

3.2 Bank Accounts

Council should operate with one primary bank account in accordance with section 8 of the MFMA. All monies collected by council should be recorded and paid into the Primary Bank account; such monies are prescribed in section 3.3.1 and 3.3.4 of this policy.

The municipality's bank account details should be submitted to the provincial treasury and Auditor general by the Accounting Officer within 90 days after the municipality has opened such an account in accordance with section 9(a) of the MFMA. The banking details should also be submitted annually before the beginning of the financial year, such information shall include the Name of each bank where the municipality holds a bank account, account type and number of each account.

3.3 Municipal Revenue

3.3.1 All municipal revenues collected should be paid into the municipality's primary bank account in accordance with section 8(2) of the MFMA. Such revenues include the following:

- All allocations to the municipality in terms of the Division of Revenue Act (DORA)
- All income received by the municipality on its investments including interest
- All monies collected by the municipality as a result of its operations or services rendered to consumers

- Any other moneys as may be prescribed



3.3.4 Banking of collected revenues

3.3.4.1 All monies collected by the municipality's revenue department should be paid into the municipality's primary bank account in accordance with section 8(2) on a day-to-day basis. Such monies shall include:-

(a) Property rates

(b) Service charges – (Refuse sewage, sale of water and electricity and other miscellaneous receipts)

(c) Allocations from the National and provincial departments and other organs of state.

3.3.4.2 Payments of consumer service charges can only be made in the following manner:-

(a) Over the counter cash payments - the cashier receiving the money shall receipt the transaction and issue out a pre-numbered receipt to the consumer. (The use of Debit and credit cards is permitted as Bela-Bela Municipality has the facility)

(b) Direct bank deposits into the municipality's primary bank account – where the consumer shall quote his/her service account number as the reference number. Such transactions shall be receipted by the cashiers upon receiving the bank statement the following day.

In a case where the consumer did not quote the service account number as the reference of their direct deposit, such monies shall be receipted and recorded into the unclaimed vote number until the consumer comes with the proof of deposit so that the money can be allocated into the consumer account

3.3.4.3 All the cash receipt transactions receipted by the cashiers shall be physically counted and should balance with the total receipts for the day on the FMS. It is the responsibility of the cashier's supervisor to monitor the daily takings of the cashiers.

3.3.4.4 All cash collected shall be deposited into a cash master machine by each cashier using the finger print with a special number allocated to each cashier.

3.3.4.5 If the cash master machine is not working, all the cash collected by the cashiers shall be counted by the cashier, verified by the supervisor and deposited into the cash bag, sealed with a unique seal number and be kept in the safe overnight and should be banked the following morning by the municipality's cash in transit security company.

3.3.4.6 It is the responsibility of the Divisional Manager: Revenue to ensure that all the cash collected is duly recorded and a daily cash summary is prepared, balanced and achieved properly.



3.3.4.7 Unknown deposits

Money deposited to the Municipality's bank account from unknown persons without system identifiable reference numbers will be allocated to the unknown deposit vote for a period of 36 months.

At the beginning of each financial year, the Municipality shall advertise to inform the community about the unknown deposits to be claimed for proper allocation.

Any unclaimed unknown deposits (older than 36 months at the beginning of the financial year) shall be classified as the Municipality's own other revenue at the end of the financial year.

No reallocation is allowed after the deposit has already been classified as the Municipality's own revenue.

3.3.4.8 Advance Payments

All credit balances (Advance payments) on inactive accounts shall remain on the customer's accounts for a period of 36 months. This shall apply only to credit balances as a result of deposits/payments made. At the beginning of each financial year, the Municipality shall advertise to inform the community about the credit balances to be claimed as refund.

Any unclaimed refunds (older than 36 months at the beginning of the financial year) shall be classified as the Municipality's own other revenue at the end of the financial year.

No reallocation is allowed after the credit balance has already been classified as the Municipality's own revenue.

3.4 Municipal Expenditure

All expenditure of Bela Bela Local Municipality shall be incurred in terms of section 11 of the MFMA and section **3.4.1** and **3.4.2** of this policy.

- (a) All creditors will be paid within 30 days of receiving a certified invoice that the service was satisfactorily delivered as per section 65 (e) of the MFMA.
- (b) An early settlement discount of 2.5% on the service rendered/ goods purchased are applicable if payment will be required (by the service provider) prior to the 30 days' period Or any waiting period determined by the Municipality, provided that the municipality has sufficient funds to make the payment and the payment fall within the expenditure payment schedule or plan.
- (c) Subsection (b) will not be applicable to any MIG contracts, accommodation or any other service where payment must be done prior to getting the service.



3.4.1 Electronic Fund Transfer

The Chief Financial officer shall delegate officials in writing for authority to process Electronic payments. No one person should be able to process transactions from beginning to end single headedly. A minimum of three officials should be allowed to process EFT's on behalf of the municipality (Refer to Delegates). This practice shall ensure the segregation of duties and division of authority in order to minimize fraud.

3.5 Delegation/ Rights

Delegation shall be made in terms of Section 79 of the MFMA



Only the Accounting Officer or the chief financial officer of Bela Bela Local municipality or any other delegated senior financial official of the municipality acting on written authority of the accounting officer may authorise the withdrawal of money from the Bela-Bela municipality's bank account through signature on a cheque or Electronic Fund Transfer. Such withdrawals shall be accompanied by official expenditure documents which are duly authorised for purposes as prescribed in section 11 (a)-(j) of the MFMA

3.5.1 Electronic Fund Transfer (Signatories)

A-Signatories - Creditors Officer

- Payroll Officer
- Expenditure Accountant
- Chief Accountant: Expenditure
- Traffic administration officer
- Accounting Services Clerk
- Accountant: Accounting Services
- Accountant: Expenditure
- Chief Accountant: Accounting Services
- Chief Accountant: Expenditure



B – Electronic Fund Transfer Signatories

- Accounting Officer
- Chief Financial Officer
- Divisional Manager: Expenditure
- Divisional Manager: Revenue
- Divisional Manager: Accounting Services
- Deputy Chief Financial Officer
- Specialist: Financial Statements

3.6 Bank Overdraft

In terms of section 45(1) of the MFMA the municipality may incur short-term debt provided that the municipality will settle the debt within the same financial year.

An overdraft may be incurred as a short-term debt provided the debt is approved through a council resolution of the municipal council and signed by the mayor for the agreement to be binding (see section 45(2)(a) of the MFMA

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

The overdraft facility for the municipality may not exceed an amount of R5, 000,000.00 or any Council approved limit.

4. INVESTMENT POLICY

4.1 General Policy

Generally Bela Bela Municipality will invest surplus funds with deposit taking institutions registered in terms of the Bank's Act 94 of 1994 for terms not exceeding one (1) year in anticipation of cash flow expectations. From time to time with the approval of council, investments can exceed one year and be made to other Institutions/investment portfolios as approved by the National Treasury Regulation. Such practices shall be done prior approval of council through a council resolution.



4.2 DIVERSIFICATION

The municipality may not invest more than 50% of the available funds in the same investment product (Council may approve a higher or remove the limit). The council may only make investments with approved institutions which have an A rating.

4.3 Investment Managers

4.3.1 External Investment Managers

Bela Bela Municipality may as and when required approach an external A-graded investment portfolio manager to administer the investment portfolio on its behalf. The external investment manager shall be appointed in terms of the Bela-Bela Municipality's Supply Chain Management Policy and Treasury Regulations and a service level agreement will be signed and shall govern the functions and responsibility of the service provider. All investments made by the external investment manager on behalf of Bela Bela Municipal council must be made within the ambit of this policy and National Treasury Regulations.

4.3.2 Internal Investment Manager

All investments made by the internal investment manager shall be in accordance with section 4.4 of this policy.

4.4 INTERNAL CONTROLS OVER INVESTMENTS

4.4.1 Delegations

In terms of section 79 of the MFMA, the Accounting Officer may Delegate the Chief Financial Officer, in writing, his duty under section 65(2) h of the MFMA to manage the council's available working capital effectively and economically in terms of the prescribed cash management and investment framework. The CFO may sub-delegate this responsibility to the Divisional Manager: Accounting services in writing. The latter does not mean that the responsibility is abdicated.

4.4.2 Obtaining Investment quotations and concluding deals

Writing mandates, signed by the Divisional Manager: Accounting Services, The CFO and the Accounting officer, shall be issued to all investees with whom the council of Bela-Bela invests funds setting out the following:

4.4.2.1 Authorised dealers: name and particulars of the council's officials who are authorised to transact investment dealings with investees;



4.4.2.2 Authorised signatories: name and particulars of the council's officials who are authorised to sign written confirmations or any other correspondence in respect of investment transactions.

4.4.2.3 A dealings sheet, signed by an authorised dealer, shall be prepared in all instances for each individual investment, detailing the quotations received and recommended investee. The Chief Financial Officer, together with the any one of the authorised signatories shall be authorised to approve such transaction.

A written confirmation of the terms of each investment shall be prepared, and signed off by the Divisional manager: Accounting Services and the CFO.

4.5 Ownership

All investments must be in made in the name of Bela Bela Municipality. Written proof of investments made must be obtained from the institution where the Investment is made and must be kept in the Investment register File.

4.6 Investment register

The Chief Financial officer should ensure that Bela Bela Municipality maintains an investment register which records or entails the following:

- *Details of the financial institution in which funds are invested

- *Account/Reference Number

- * Initial investment Amount

- * Interest rate and the cycle of interest claims

- * Initial investment date and the maturity date of the Investment

- * Withdrawal amount from the Investments

- * Investment contracts

5. DUE CARE

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



- 5.1 The Accounting Officer, Chief Financial Officer and any other section 79 delegated officials shall not accede to any influence by or interference from councillors, investment agents, institutions or any other outsiders.
- 5.2 Under no circumstances may inducements to invest be accepted
- 5.3 Interest rates quoted by one institution must not be disclosed to another institution; and
- 5.4 The business ethics of any controlling body of which the relevant financial institution is a member, must be observed by such institution or body at all times

6. PERFORMANCE MANAGEMENT

Measuring the effectiveness of council's treasury activities is achieved through a mixture of subjective measures. The predominant subjective measures are the overall quality of treasury management information. The Chief Financial Officer as delegated in terms of section 79 of the MFMA has the primary responsibility for determining this overall quality.

Such objective measures includes:-

- 6.1 Adherence to this policy
- 6.2 Timely receipting of the Interest income on investment and transferring such interest into the main bank account
- 6.3 Maintaining an Investment register which complies with the provisions of this policy
- 6.4 Reporting on investments on all section 71 and 122 of the MFMA

7. CASH MANAGEMENT

All money collected should be promptly deposited within 72 business hours in the municipality's Primary Bank unless on exceptional circumstances which should be approved by the Manager of Revenue or Chief Financial Officer. Exceptions will also be allowed where there is a cash-in-transit problem if the risk is minimised.

The respective responsibilities of the Chief Financial Officer and other directors in this regard are in terms of the approved budget and other budget-related policies. Collection and banking of revenue is essential and determines the going-concern status of a municipality.

A healthy cash flow is crucial to ensure sustainable service delivery and infrastructure development and maintenance and preservation. This is appropriately prescribed in terms of section 64 of the Municipal Finance Management Act 56 of 2003.



7.1 SECTION 64: REVENUE MANAGEMENT

7.1.1 The Accounting Officer of the municipality is responsible for the management of the revenue of the municipality.

7.1.2. The Accounting Officer, must, among other things, take all reasonable steps to ensure that all money received is promptly deposited per the requirements of the Act into the municipality's primary bank account.

7.1.3. 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 regularly.

7.1.4. 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 regularly and that such funds are not used for purposes of the municipality.

7.2 REVENUE AND CASH COLLECTION

7.2.1. Every Senior Manager shall be responsible for the collection of all money falling within the ambit and area of his or her designated functions and budget.

7.2.2. The Chief Financial Officer shall ensure that all revenues are properly accounted for.

7.2.3. The money collected from all cash points shall be coordinated by the Chief Financial Officer in terms of any policies determined by the Council.

7.2.4. The Municipality may allocate any credit/ payment to any accounts of the same debtor or department.

7.2.5. Any revenue that is 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 Committee and advise for adjustment purposes.

7.3 CASHIER COLLECTION

7.3.1. The following negotiable instrument is accepted and will be construed as cash, credit cards, debit cards, direct deposits, and electronic funds transfers.

7.3.2. Every payment received by a cashier or other authorised officer in charge receipting of money shall be acknowledged by issuing a sequentially numbered official receipt of a receipt book or computer-generated receipt.

7.3.3. All cashier banking batches and or shifts must be closed at least daily and be deposited promptly in the municipality's primary bank account.

7.3.4. Receipts cancelled during collection should be attached on the end-of-shift form and be written with a detailed explanation thereof.

7.4 END OF SHIFT/DAY

7.4.1. A cashier must count the money he/she receipted, record the outcome on the cash-up sheet per category, and then report to the senior responsible for the closing of the banking batches;

7.4.2. No cashier may have access to the closing bank batch facility of the financial system. The senior verifies whether the amounts are correct, if not the supervisor request the cashier to make necessary corrections or otherwise closes the banking batch;

7.4.3. All shortages must be paid in by the cashier and all surpluses must be receipted in the vote number or segment open for this purpose.

7.4.4. The cashier supervisor in the presence of the cashier should deposit the money into the prescribed money bag, seal and lock it up in the safe;

7.4.5. All closed banking batches must be deposited and received by the bank within 72 hours unless holiday or weekends or as indicated above;



7.5 AVAILABILITY OF RECEIPTING POINTS.

7.5.1. Cash receipting points will be available in Main Building at Chris Hani drive and Satellite Offices: Multipurpose Centre, Pienaarsrivier, and other special services such as Traffic and licensing in van der Merwe street, Clients can also Pay at the approved 3rd Party services.

7.5.2. The normal office hours for receipting all offices from Monday to Friday is 08h00 till 16h00.

7.5.3. The Municipality also makes use of third party pay points for example; Easy pay and Pay-aBill. , South African Post Office. The bank facilities such as; speed points, Electronic Funds Transfer, debit orders, direct deposits.

7.5.4. Electronic transfers directly into the bank account are allowed provided that the client use his/her debtors account number as reference or booking number or reference granted by the municipality. A penalty may be levied for incorrect or no reference.

7.6. CODE OF PRACTICE WITH REGARD TO CASH COLLECTION AND BANKING

7.6.1 CASHIER SHORTAGES

It is the cashier responsibility to take care of custody of cash until it is handed over to the supervisor. For this reason, shortages will be handled as hereunder:

7.6.2. A Stained/Dyed Note spotted on the spot or returned by the Bank will be paid by the Cashier.

7.6.3. any shortage must be paid in by the cashier, immediately before banking is done.

7.6.4. Two shortages of over R200 in one month, the cashier must get a verbal warning, if it happens three times, the written warning must be issued and valid for Three Months.

7.6.5. Shortages of over R500 up to R1000, a written warning will be issued to the cashier, and disciplinary actions may be taken against the cashier.

7.6.6. Shortage over R1000 disciplinary actions must be taken against the cashier. (First-time offenders will have an option of a written warning valid for six months and repayment; second-time offenders will have the option of a final warning and possible transfer)

7.7. SHORTAGES IN THE BANK

7.7.1 Supervisors accept the money from the cashier for banking and take responsibility for the money until banked. As a result, shortages reported by the bank will be accounted for and paid for by the supervisor who prepared the banking. But where the Shortage is caused by a Stained/Dyed Note a Cashier should pay.

7.7.2 The above principle as per 7.7.1 on cashier shortages will be applicable in terms of payments and disciplinary actions to be considered.

7.7.3. All shortages identified by the bank, must be paid in by the supervisor, and all surpluses must be receipted in the vote number open for this purpose. Electronic shortages, like speed points not banked etcetera will be investigated for application of the recovery as recommended by the policy.

7.8 SURPRISE CHECKS

The municipal management may conduct surprise checks without prior notice and take disciplinary actions on shortages as on 7.7 above

8. REPORTING

8.1.1 The CFO shall report to council on all investment portfolios, withdrawals and balances in accordance with the Investment register



8.1.2 The CFO shall submit to the provincial and national treasury on monthly income and expenditure statements on Investments in terms of section 71 of the MFMA

8.1.3 The CFO shall report on the Bela-Bela municipality's investments in the Annual Financial Statements in terms of section 122 of the MFMA



9 ANNUAL REVIEW

This policy on cash management and investments shall be reviewed annually or earlier if so required by legislation. Any amendments to the policy must be adopted by council through a council resolution and must be consistent with the MFMA and National Treasury Regulations.

10 EFFECTIVE DATE

The effective date of this policy shall be 1 July 2025 and shall be reviewed on an annual basis to ensure that it is in line with Bela Bela Local Municipality's strategic objectives and within the required legislative framework.