

FETAKGOMO – TUBATSE
LOCAL MUNICIPALITY

CASH MANAGEMENT AND INVESTMENT POLICY

2025-2026

FETAKGOMO TUBATSE LOCAL MUNICIPALITY

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FTLM DRAFT CASH MANAGEMENT POLICY 2024/2025

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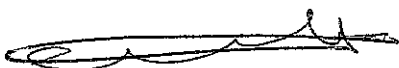
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1. INTRODUCTION

1.1. As custodians of public funds, the Council has an obligation to see to it that cash resources are managed as effectively as possible. Council has a responsibility to invest public funds with great care and are liable to the community in that regard.

1.2. The investment policy should be aimed at gaining the highest possible return without undue risk during those periods when funds are not needed. To bring this about, it is essential to have an effective cash flow management program.

1.3 This policy has been compiled in accordance with:-

1.3.1. Local Government: Municipal Systems Act (MSA), Act no 32 of 2000 as amended;

1.3.2. Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003;

1.3.3. Municipal Investment Regulations for the MFMA published in Government Gazette 27431 dated 1 April 2005; and

1.3.4. MFMA Circular no 49 on Non-payment of Obligations dated 30 June 2009.



1.4 Where this policy is contrary to other legislation, such legislation will override this policy. It is an explicit responsibility of the Municipal Manager to bring such conflicts immediately to the attention of the Council once he/ she becomes aware of such conflicts and to propose changes to this Policy to eliminate such conflicts.

2. DELEGATION OF POWERS

2.1 This policy should be applied with due observance of the Municipality's policy with regard to delegated powers. Such delegations refer to delegations between the Municipal Manager and other responsible officials as well as between the Council and the Executive Mayor and the Council and the Municipal Manager. All delegations in terms of this policy must be recorded in writing.

2.2 In terms of section 60 (2) of the MSA, the Council may only delegate to the Municipal Manager the power to make decisions on investments on behalf of the municipality within the municipality's investment policy contemplated in section 13 (2) of the MFMA, 2003.

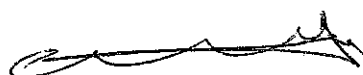
2.3 According to the MFMA, the Municipal Manager is the accounting officer of the Municipality and therefore all designated officials are accountable to him/ her. The Municipal Manager is therefore accountable for all transactions entered into by his/her designates.

2.4 The overall responsibility of investments lies with the Municipal Manager. However, the day to day handling of investments should be the responsibility of the Chief Financial Officer or his/her delegate.

2.5 All investment documents will require two signatories, namely the Municipal Manager and the Chief Financial Officer or their delegated signatories. In this regard, specimen signatures must be signed with all financial institutions with which the Municipality deals.

3. PURPOSE OF THE POLICY

3.1 The purpose of this policy is to ensure that investment of surplus funds forms part of the financial management procedures of the Fetakgomo /Greater Tubatse Municipality and to ensure that prudent investment procedures are applied consistently.



4. EFFECTIVE CASH MANAGEMENT

4.1 Cash Management Plan

4.1.1 Adequate and efficient cash management is one of the main functions of the Chief Financial Officer. It is therefore imperative that a cash management plan be established and adhered to at all time. Sound cash management includes:-

- 4.1.1.1 Collecting revenue when it is due and banking it promptly;
- 4.1.1.2 Making payments, including transfers to other levels of government and non-government entities, no earlier than necessary, with due regard for efficient, effective and economical programme delivery and the government's normal terms for account payments as well as within legislative requirements;
- 4.1.1.3 Avoiding pre-payments for goods or services (i.e. payments in advance of the receipt of goods or services), unless required in terms of contractual arrangements with the supplier;
- 4.1.1.4 Accepting discounts to effect early payment only when the payment has been included in the monthly cash flow estimates prepared by the Municipality;
- 4.1.1.5 Pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the Municipality are collected and banked promptly;
- 4.1.1.6 Taking any action that avoids locking up money unnecessarily and inefficiently, such as managing inventories to the minimum level necessary for efficient and effective programme delivery and selling surplus or underutilized assets.
- 4.1.1.7 Accurately forecasting the Municipality's cash flow requirements; and
- 4.1.1.8 Timing the inflow and outflow of cash to ensure that significant cash outflows only occur when there is sufficient cash in the Municipality's bank account.

4.2. Efficient Cash Collection Procedures

4.1.1. All monies due to the Municipality must be collected as soon as possible and banked on a daily basis. Cash left in the safe can pose a security risk, could necessitate additional insurance coverage and does not earn any interest. Special deposits should be arranged for the larger amounts received, to make sure that these are banked on the same day they are received.

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

4.2.3. The collection of all area revenues and the control of area accounts shall be co-ordinated by the Chief Financial Officer in terms of any policies determined by the Council.



4.2.4. The Municipality may allocate any credit/ payment to any accounts of the same debtor or department. It is essential that all amounts owed to the Municipality be levied by way of a debit in the applicable debtors system. A well-managed debtor and banking control system is the proper measure for ensuring that monies owed to the Municipality are timeously received and banked.

4.2.5. Every director shall be responsible for the collection of all moneys falling within the ambit and area of his or her designated functions and budget.

4.3. SECTION 64: REVENUE MANAGEMENT

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

4.3.1. 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 Act into the municipality's primary bank account.

4.3.2. 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 regular basis.

4.3.3. 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 regular basis, and that such fund are not used for purposes of the municipality.

4.4. CASHIER COLLECTION

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

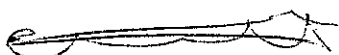
4.4.1. Every payment received by a cashier or other authorised officer charged with the receipt of money shall be acknowledged by the issuing a sequentially numbered official receipt of receipt book or computer-generated receipt.

4.4.2. All cashier banking batches and or shifts must be closed at least on a daily basis and be deposited promptly in the municipality primary bank account.

4.4.3. Receipt cancelled during collection should be attached on the end of shift form or be written with a detailed explanation thereof.

4.5. END OF SHIFT/DAY

4.5.1. A cashier must count the money he/she receipted, record the outcome on the



cash-up sheet per category, then report to the senior responsible for the closing of the banking batches;

- 4.5.1. No cashier may have access to the closing bank batch facility of the financial system. The senior verifies whether the amounts are correct and send the cashier back if necessary, otherwise closed the banking batch;
- 4.5.2. 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.
- 4.5.3. 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;
- 4.5.4. All closed banking batches must be deposited and received by the bank within 72 hours unless holiday or weekends or as indicated above; and

4.6. AVAILABILITY OF RECEIPTING POINT

- 4.6.1. Cash receipting points will be available in Burgersfort civic centre, Mapodile, Pracktiseer, Apel, Ohrigstad municipal offices and other special services such as Traffic and licensing stations, Library, and all satellite offices.
- 4.6.2. The normal office hours for receipting all offices from Monday to Friday is 7h30 till 16h00.
- 4.6.3. The Municipality also makes use of third party payments for example; Easy pay . The bank facilities such as; speed points, EFT, debit orders, direct deposits.
- 4.6.4. 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 repeated incorrect or no reference.
- 4.6.5. Charges in respect of card payments and or any other payments method may be recovered from the customer in terms of the municipal policies or council resolution.

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

5.1. 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:

- 5.1.1. A Stained/Dyed Note sported on sport or returned by the Bank will be paid by the Cashier.
- 5.1.2. Up to R100 must be paid in by the cashier, immediately before banking is done.
- 5.1.3. More than R100 up to R500, the cashier shortage account must be debited, and the total balance must be paid in end of the same month.

5.1.4. Two shortages of over R100 in one month, cashier must get a verbal warning, if it happens three times, written warning must be issued and valid for Three Months.

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

5.1.6. Shortage over R1000 disciplinary actions must be taken against the cashier. (First time offender will have an option of a final warning and repayment; second time offender will have option of final warning or dismissal)

5.2. SHORTAGES IN THE BANK

5.2.1. Supervisors accept the money from the cashier for banking and takes responsibility for the money until banked. As results shortages reported by the bank will be accounted 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.

5.2.2. The above principle as per 12.1 on cashier shortages will be applicable in terms of payments and disciplinary actions to be considered.

5.2.3. 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.

5.3. SUPRISE CHECKS

1. The municipal management may conduct surprise checks without prior notice and take disciplinary actions on shortages as on 9.2 above

5.4. ADVANCE PAYMENT.

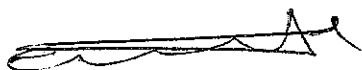
5.4.1. Any amount that is paid in advance for the service that still has to be rendered will be kept in the suspense account / Unallocated vote until the time that such service is rendered.

5.4.2. In case where service will be rendered in the following financial year, applicant will be advised to pay deposit for booking and later pay required amount that will in line with tariff policy for the particular year.

5.4.3. Amount directly deposited or transferred into the municipality s bank account will attract penalty in line with the tariff schedule.

5.5. CASH FLOAT

Designated cashier may have cash float as determined by the responsible manager. Such cash float shall be kept by the cashier and should always be presented on request.



5.6. KEYS TO THE STRONG ROOM/ SAFE

Strong Room/ safe shall have at least more than one key and the keys should be kept by at least 2 authorised officials responsible for cash management. A register of keys shall be kept by the accountant or and senior Accountant.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the end.

5.7. Payment to Creditors

5.7.1. Another aspect of effective cash management is adequate control over the timing and payment of creditors accounts. To reduce bank costs with regard to cheque payments it is essential to limit the payment of creditors to one payment per creditor per month, if possible and to make use of electronic transfer subject to strict control measures.

5.7.2. When considering the time to pay a creditor, proper consideration must be given to the conditions of credit/ terms of payment offered. In cases where a cash discount is offered for early settlement the discount, if the relevant time scale is taken into account, will in most cases be more than any investment return from temporarily investing the funds and if offered, they should be properly considered and utilised.

5.7.3 The normal conditions of credit/ terms of payment offered by suppliers should also be considered and utilised to the full by paying on due date and not earlier. 4.3.4 Due consideration should be given to Sections 65 (2) (e) and (f) of the MFMA which regulates payment periods and compliance by the municipality with all its statutory commitments.

5.7.4 To ensure the prompt payment of all creditors the municipality should adopt the step-by-step approach for payment of creditors outlined in MFMA Circular no 49 as part of its financial management procedure manuals.

5.7.5 In the case of SMME's, payment may be effected at the conclusion of the month 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.

5.7.6 The CFO 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 cheques.

5.7.7 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 month end processing.



5.8. Management of Investment in inventories

5.8.1 Cash management can be improved by ensuring that adequate stock control is exercised over all goods in store. The inventory levels in any stores system have to be reviewed continually in the light of annual contracts from local suppliers. Only essential inventory levels are to be maintained in the case of inventory items that are readily available

5.8.2 Inventory items held in stock for a long period of time is an unproductive asset to which an opportunity cost can be attached. In addition, inventory items held in stock for long periods of time could become redundant or obsolete. It is advisable, therefore, to dispose of outdated inventory items on a regular basis, thus recovering at least a part of their costs.

5.9. Investment of Surplus Cash

5.9.1 Before any money can be invested, the Chief Financial Officer, or his/her delegate, has to determine whether there will be surplus funds available. The term of investment should also be investigated in relation to projected cash outflows. Prior to making investments for any fixed term, it is essential that cash flow estimates be compiled for at least the next twelve months.

5.9.2 When compiling monthly cash flow estimates it is essential that the Chief Financial Officer is aware of all expected cash flow and when it is to take place, as well as the timing with regard to cash outflows as far as both the operational and the capital budgets are concerned.

5.9.3 By utilising the available information and expertise, the Chief Financial Officer can assess the timing with regard to the applicable investment policy accordingly. Daily cash flow estimates will provide for daily call investments and investment withdrawals, whereas long-term investments need to be based on projections further into the future.



6. LEGAL REQUIREMENTS

6.1 The way in which surplus funds and other monies of local authorities can be invested, is regulated in terms of the Municipal Finance Management Act.

6.2 The Municipal Finance Management Act requires the Municipality to establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed by the Minister, with the concurrence of the Cabinet member responsible for Local Government.

6.3 A bank, insurance company or other financial institution which, at the end of a financial year holds, or at any time during a financial year held, an investment for the Municipality must:-

6.3.1 Within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that investment, including the opening and closing balances of that investment, in that financial year; and

6.3.2 Promptly disclose information regarding the investment when so requested by the National Treasury or the Auditor-General.

6.4 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 a financial year, must: -

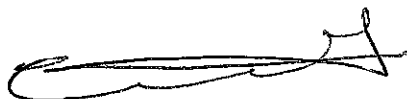
6.4.1 Within 30 days after the end of that financial year, notify the Auditor-General, in writing, of such bank account, including-
the type and number of the account; and

6.4.2. the opening and closing balances of that bank account in that financial year.

6.5 Promptly disclose information regarding the account when so requested by the National Treasury or the Auditor-General.

7. INVESTMENT ETHICS

7.1 The following ethics apply when dealing with financial institutions and interested parties:-



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

7.1.2 Under no circumstances may he/ she be held susceptible to coercive measures of any description. No member of staff may accept any gift other than something that is so small that it cannot possibly be seen as anything but a sign of goodwill, regardless of whether such gift influences him or her in his or her work or is intended to do so.

7.1.3 The Chief Financial Officer or his/her delegate must act according to their own discretion and should report any serious cases, i.e. offers of a personal commission or payment in kind, etc, to the Council. Discretion should be the order of the day, and excessive gifts and hospitality must be refused and avoided.

7.1.4 Interest rates offered should never be divulged to another institution.

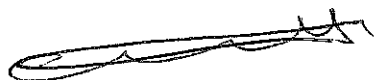
8. INVESTMENT PRINCIPLES

8.1 Limited Exposure to a Single Institution

8.1.1 Money, especially large sums of money, must be invested with more than one institution in order to limit the risk exposure of the Municipality.

8.1.2 Not more than 50% of the available funds should be placed with a single institution. In this case, it should be noted that a group of financial institutions would be treated as individual institutions.

8.1.3 Where legislation allows, the Municipality must try to plan the distribution of its investments to cover more than one investment category.



8.2 Risk and Return

8.2.1 It should be accepted as general principle that the larger the return, the greater the risk will be. Investments may not be undertaken with a view to speculation and must be governed by the following investment objectives, in order of priority:-

- 8.2.1.1. Preservation and safety of principal;
- 8.2.1.2. Liquidity; and
- 8.2.1.3. Yield.

8.3 Borrowing Money for Reinvestment

8.3.1 The Municipality shall not borrow any money for investment purposes as this is considered as speculation with public funds. Furthermore, investments should not be made where Council is utilising an overdraft facility unless in accordance with applicable legislation.

8.4 Cash in the Bank

8.4.1 Where money is kept in current accounts, it is possible, as well as being an expedient practice, to bargain for more beneficial rates with regard to deposits, for instance call deposits. These rates can be increased by fixed term investments. The overriding principle is to limit the cash in the current account to the absolute minimum but always taking into account the cash management plan and monthly cash flow estimates.

8.5 Employees and Councillors Benefiting from Investments

8.5.1 No employee or Councillor of the Municipality or their family may under any circumstances whatsoever on his or her own behalf or on behalf of any other person whether directly or indirectly, stipulate, claim or receive any consideration of whatever nature in connection with an investment made.



8.6 Reporting Requirements

8.6.1 There shall at all times be transparency and accountability in respect of every investment made and of the Municipality's investment portfolio. In this regard, the Municipal Manager must within 10 days of the end of each month, as part of the section 71 report required by the MFMA, submit to the Mayor a report describing in accordance with generally recognised accounting practise the investment portfolio of the municipality as at the end of the month. The report must set out at least:-

- ☐ The market value of each investment as at the beginning of the reporting period;
- ☐ Additions and changes to the investment portfolio during the reporting period;
- ☐ The market value of each investment as at the end of the reporting period; and
- ☐ Fully accrued interest or yield for the reporting period.

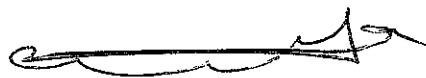
9. GENERAL INVESTMENT PRACTICE

9.1 General Principles

9.1.1 After determining whether cash is available for investment and fixing the maximum term of investment, the Chief Financial Officer has to consider the way in which the investment is to be made. Because rates can vary according to money market perceptions with regard to the term of investment, quotations for fixed deposits should be requested telephonically for a period within the limitations of the maximum term.

9.1.2 All telephonic quotations must be recorded on a schedule and the accepted quotation must be confirmed in writing before the actual investment is made. The same procedure must be followed before any re-investment is made with the same institution.

9.1.3 Where a fixed deposit is made at an institution at a lower rate than other quotations, reasons must be recorded by the Chief Financial Officer and reported to Council as part of the monthly financial report by the Chief Financial Officer.



9.2 Payment of Commission

9.2.1 The financial institution where a fixed deposit is made must issue a certificate with regard to each investment when the investment is made, in which it states that the financial institution has not or will not pay any commission and has not or will not grant any other benefit for obtaining such investment to any employee or Councillor of the Municipality or their family or an agent or go-between, or to any person nominated by such agent or go-between, except where the Council has decided to appoint a go-between/ agent/ consultant and the fee/ commission has been decided and approved by the Council before any investment is made.

9.3 Registered Financial Institutions

In terms of the Municipal Investment Regulations for the MFMA the Municipality may only invest in the following instruments or investments:-

9.3.1 Securities issued by the National Government;

9.3.2 Listed corporate bonds with an investment grading rating from a nationally or internationally recognized credit rating agency;

9.3.3 Deposits with banks registered in terms of the Banks Act, 1990 (Act No 94 of 1990);

9.3.4 Deposits with the Public Investment Corporation as contemplated by the Public Investment Commissioners Act, 1984 (Act No 45 of 1984);

9.3.5 Deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No 46 of 1984);

9.3.6 Banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990 (Act No 94 of 1990);

9.3.7 Guaranteed endowment policies with the intention of establishing a sinking fund in order to meet the redemption fund requirements of the Municipality;

9.3.8 Repurchase agreements with banks registered in terms of the Banks Act, 1990 (Act No 94 of 1990);



9.3.9 Municipal bonds issued by the Municipality;

9.3.10 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; and

9.3.11 Any other instruments or investments in which the Municipality was under a law permitted to invest before the commencement of this policy, provided that such investments shall not extend beyond the date of maturity or redemption thereof.

9.3.12 An investment may only be made if the investment is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.

8.4 Growth Related Investments and Long-Term Investments

9.4.1 Only the Council can approve such investments or the disposal thereof. The institution with which the investment is made must guarantee at least the capital portion of long-term investments.

9.4.2 Any fees payable to a broker, agent, or consultant must be clearly stated on the application form and approved by Council before any investment is made.

10. CALL DEPOSITS AND FIXED DEPOSITS SHORTER THAN 12 MONTHS

10.1 Quotations must be solicited from a minimum of three financial institutions, bearing in mind the limits of the term for which it is intended to invest the funds. It is acceptable to ask for quotations telephonically, as rates can generally change regularly on a daily basis and time is a determining factor when investments are made.

10.2 Should one of the institutions offer a better rate for a term, other than what the Municipality had in mind, the other institutions that were approached should also be asked to quote a rate for the same term.

10.3 The person responsible for requesting quotations from institutions should record the name of the institution, the name of the person who gave the telephonic quotation and the



relevant terms and rates and other facts such as whether the interest is payable on a monthly basis or on a maturity date. Written confirmation of the telephonic quotation accepted is essential.

10.4 Once the required number of quotations has been obtained, a decision has to be taken regarding the best terms offered and the institution with which the funds are going to be invested. The best offer is normally accepted, with thorough consideration of investment principles. No attempts may be made to make institutions compete with each other as far as their rates and terms are concerned. If institutions have been asked for a quotation with regard to a specific package the institution has to be told to offer their best rate in their quotation and that, once the quotation has been given, no further bargaining or discussions would be entered into in that regard.

10.5 The abovementioned procedure should be followed regardless of whether the money is to be invested in a fixed deposit or on a call basis.

10.6 It is essential to make sure that the investment document received is an original document, issued by the approved institution. The investment capital should be paid over only to the institution with which it is to be invested, and not to an agent.

10.7 The Chief Financial Officer should seek professional advice whenever there is a degree of uncertainty regarding investment opportunities that he/ she evaluate.

10.8 The above procedures are not applicable to daily call deposits held with the Municipality's banker. However, the Chief Financial Officer should always ensure that the Municipality is receiving the best possible interest rates offered by the financial institution for this type of investment.

11. CONTROL OVER INVESTMENTS

11.1 Proper records should be kept of all investments made. At the very least the following facts should be indicated:-

☐ Institution.



- ☐ Principle investment.
- ☐ Interest rate.
- ☐ Maturity date.
- ☐ Details of growth of the investment, calculated annually at 30 June, including interest capitalised.

11.2 The investment register must be examined on a fortnightly basis to identify investments falling due within the next two weeks. It must then be established as what to do with the funds bearing in mind the cash flow requirements.

11.3 Interest, correctly calculated, should be received timeously, together with any distributable capital.

11.4 Investment documents and certificates should be kept in a fire-resistant safe to which access is controlled.

11.5 The Chief Financial Officer is responsible for ensuring that the invested funds are secure and should there be a measure of risk, such risk must be rated realistically.

12. IMPLEMENTATION AND REVIEW OF THIS POLICY

12.1 This policy shall be implemented once approved by Council. All future investments must be made in accordance with this policy.

12.2 In terms of section 17 (1) (e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.



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