

PRINCE ALBERT MUNICIPALITY



CASH MANAGEMENT AND INVESTMENT POLICY

Final Policy

TABLE OF CONTENTS

1. DEFINITIONS..... 3

2. INTRODUCTION..... 4

3. OBJECTIVES OF THE POLICY..... 4

4. INVESTMENT ETHICS..... 4

5. INVESTMENT PRINCIPLES 5

5.1) Investment Diversification5

5.2) Risk and Return5

5.3) Payment of Commission5

5.4) Call Deposits and Fixed Deposits6

5.5) Restriction on Tenure of Investments6

6. CONTROL OVER INVESTMENTS..... 7

7. OTHER EXTERNAL INVESTMENTS 8

8. BANKING ARRANGEMENTS..... 8

9. RAISING OF DEBT..... 9

10. INTEREST ON INVESTMENTS..... 9

11. SHORT TITLE AND COMMENCEMENT 9

1. **DEFINITIONS**

In this Investment Management policy ,unless the context indicated otherwise, a word of expression to which a meaning has been assigned in the Local Government: Municipal Finance Management Act (Act Nr. 56 of 2003) and other related legislations/regulations, norms, by-laws, having the same meaning with the act:

Accounting officer; is the municipal manager

Act: means the Local Government: Municipal Finance Management Act (Act Nr. 56 of 2003)

Accounting principles: means the guidelines to be observed.

Acquisition: means acquiring goods and services through procurement policies.

Agent: means professional bodies appointed to execute a specific task on behalf of the municipality.

Accounts: means statements of monies received.

Assignee: means a person with a delegated authority.

Bank: means an institution recognized by register of bank.

Bank accounts: are the recognized statement of financial holdings on behalf of the municipality.

Cash: means monies such as bank notes and coins or cash equivalent.

Chief Financial Officer (CFO): means a responsible official for financial affairs of the municipality

Constitution of the Republic of South Africa (Act 108 of 1996): means the supreme law of South Africa.

Cash management: means efficient and effective management of funds.

Delegated authority: means any person/s or committee delegated with the authority to act for on behalf of municipality.

Diversification of investments: means investing in more, or more than one type of financial instruments.

Investment ethics: means the ethical framework within which investment must take place.

Liquidity: means the ease with which financial instrument can be converted to cash or cash equivalents.

Municipality: means the agent of the central government at local level.

Ownership: means all investment must be made in the name of municipality.

Short-term investments: means a financial instrument with a lifespan or maturity of less than 1 year.

Long term investments: means financial instrument with a lifespan or maturity of greater than a year.

2. INTRODUCTION

In terms of section 13(2) of the MFMA, a municipality must establish an appropriate and effective cash management and investments policy in accordance with any framework that may be described in terms of subsection (1).

3. OBJECTIVES OF THE POLICY

The primary and the ultimate goal of the investment of funds is to earn the safety of returns on investment principal, an amount invested whilst managing liquidity requirements and providing the highest return on investment at minimum risk, within the parameters of authorized instruments as per the MFMA.

4. INVESTMENT ETHICS

- a) The Chief Financial Officer shall be responsible for investing the surplus revenues of the municipality and shall manage such investments in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance, including the Municipal Investment Regulations.
- b) In making such investments the Chief Financial Officer, shall always have only the best considerations of the municipality in mind and shall not accede to any influence by or interference from councillors, investment agents or institutions or any other outside parties.
- c) The municipality may appoint an investment manager/s to advise it on investments, manage investments on its behalf or advise it on investments and manage investments on its behalf.
- d) An investment manager means a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act, 1985(Act no.1 of 1985).
- e) No councillor or official may accept any gift, other than an item having such negligible value that it cannot possibly be construed as anything other than a token of goodwill

by the donor, from any investment agent or institution or any party with which the municipality has made or may potentially make an investment.

- f) Interest rates offered should never be divulged to another institution.

5. INVESTMENT PRINCIPLES

5.1) Investment Diversification

- 5.1.1) The chief financial officer shall 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 and fixed deposits).

5.2) Risk and Return

- 5.2.1) Although the objective of the chief financial officer in making investments on behalf of the municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved regarding both the financial institution and the investment instrument concerned.
- 5.2.2) No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions. Deposits shall be made only with registered deposit-taking institutions (see 5.4 below).
- 5.2.3) Investment denominated in foreign currencies is prohibited. The municipality may only make an investment if it is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.

5.3) Payment of Commission

- 5.3.1) Every financial institution with which the municipality makes an investment must issue a certificate to the chief financial officer in regard to such investment, stating that such financial institution has not paid and will not pay any commission and has not and will not grant any other benefit to any party for obtaining such investment.

5.3.2) If an investee pays any fee, commission or other reward to an investment manager in respect of any investment made by the municipality or one of its entities, both the investee and the investment manager must declare such payment to the council or the board of directors of the entity by way of a certificate disclosing full details of the payment.

5.4) Call Deposits and Fixed Deposits

5.4.1) Before making any call or fixed deposits, the chief financial officer, shall obtain quotations from at least three financial institutions with the best B rating or one grade less.

5.4.2) Given the volatility of the money market, the chief financial officer shall, whenever necessary, request written quotations, and shall record in an appropriate register the following:

- a) name of the institution;
- b) name of the person contacted;
- c) the relevant terms and rates offered by such institution; and
- d) any other information which may be relevant (for example, whether the interest is payable monthly or only on maturity, and so forth).

5.4.3) Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of paragraph 8 below) shall be paid over only to such institution itself and not to any agent or third party.

5.4.4) Once the investment has been made, the chief financial officer shall ensure that the municipality receives a properly documented receipt or certificate for such investment, issued by the institution concerned in the name of the municipality.

5.5) Restriction on Tenure of Investments

5.5.1) No investment with a tenure exceeding twelve months shall be made without the prior approval of the executive mayor.

6. CONTROL OVER INVESTMENTS

- 6.1) The chief financial officer shall ensure that proper records are kept of all investments made by the municipality.
- 6.2) Such records shall indicate the following:
 - a) the date on which the investment is made,
 - b) the institution with which the monies are invested,
 - c) the amount of the investment,
 - d) the interest rate applicable, and
 - e) the maturity dates.
 - f) If the investment is liquidated at a date other than the maturity date, such date shall be indicated).
- 6.3) The investment register and accounting records must be reconciled on an annual basis.
- 6.4) The investment register must be examined on a fortnightly basis to identify investments falling due within the next two weeks.
- 6.5) The chief financial officer shall ensure that any 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.
- 6.6) The chief financial officer shall ensure that investment documents and certificates are properly secured in a fireproof safe.
- 6.7) The following documents must be safeguarded:
 - a) Fixed deposit letter or investment certificate;
 - b) Receipt for capital invested;
 - c) Copy of electronic transfer or cheque requisition;
 - d) Excel schedule of comparative investment figures;
 - e) Commission certificate, indicating no commission was paid on the investment;
and
 - f) Interest rate quoted.

7. OTHER EXTERNAL INVESTMENTS

- 7.1) From time to time, it may be in the best interests of the municipality to make longer-term investments in secure stock issued by the national government, Eskom or any other reputable parastatal or institution, or by another reputable municipality.
- 7.2) In such cases the chief financial officer, must be guided by the best rates of interest pertaining to the specific type of investment, which the municipality requires, and to the best and most secure instrument available at the time.
- 7.3) No investment with a tenure exceeding twelve months shall be made without the prior approval of the executive mayor and without guidance having been sought from the municipality's bankers or other credible investment advisers on the security and financial implications of the investment concerned.

8. BANKING ARRANGEMENTS

- 8.1) The municipal manager is responsible for the management of the municipality's bank accounts but may delegate this function to the chief financial officer.
- 8.2) The municipal manager and chief financial officer are always authorised to sign cheques and any other documentation associated with the management of such accounts.
- 8.3) The municipal manager, in consultation with the chief financial officer, is authorised to appoint two or more additional signatories in respect of such accounts, and to amend such appointments from time to time.
- 8.4) The list of current signatories shall be reported to the finance committee at least once a year, as part of the report dealing with the municipality's investments and whenever there is a change in signatories.
- 8.5) In compliance with the requirements of good governance, the municipal manager shall open a bank account for ordinary operating purposes.
- 8.6) Separate accounts shall also be maintained whenever legislation requires separate accounts for specific purposes.
- 8.7) 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.

9. RAISING OF DEBT

Raising of debt is covered in the Borrowings Policy.

10. INTEREST ON INVESTMENTS

10.1) The interest accrued on all the municipality's investments shall, in compliance with the requirements of generally recognized accounting practice, be recorded in the municipality's operating account as ordinary operating revenues.

11. SHORT TITLE AND COMMENCEMENT

This policy shall be called the Municipal Investment Policy, and will take effect on 1 July 2026.