



CENTRAL KAROO DISTRICT MUNICIPALITY

CASH MANAGEMENT AND INVESTMENT POLICY

2026/2027

TABLE OF CONTENTS

| | | |
|------|--|---------|
| 1. | Introduction | 3 |
| 2. | Scope | 3 |
| 3. | Objectives | 4 |
| 4. | Due Care | 4 |
| 5. | Delegation of Authority | 4 – 5 |
| 6. | Management and Internal Control Procedures | 5 – 6 |
| 7. | Cash Management: | |
| 7.1 | Bank Account Administration | 6 – 9 |
| 7.2 | Receipting Management | 9 – 10 |
| 7.3 | Expenditure Management | 10 |
| 7.4 | Withdrawals | 10 |
| 7.5 | Debt Management | 10 – 11 |
| 7.6 | Cash-flow Budget | 11 |
| 7.7 | Working Capital Management | 11 – 12 |
| 7.8 | Other Payment Methods | 12 |
| 8. | Investments: | |
| 8.1 | Investment Management | 13 |
| 8.2 | Investment Ethics | 13 – 14 |
| 8.3 | Investment Objectives | 14 – 15 |
| 8.4 | Types of Investment Accounts | 15 – 16 |
| 8.5 | Approved Investments | 16 |
| 8.6 | Qualifying Institutions | 16 – 17 |
| 8.7 | Investment Diversification | 17 |
| 8.8 | Competitive Selection of Bids or Offers | 17 – 18 |
| 8.9 | Call and Fixed Deposit Procedures | 18 – 19 |
| 8.10 | Commissions or Costs | 19 |
| 8.11 | Performance and Monitoring | 19 |
| 8.12 | Forbidden Activities | 20 |
| 9. | Risk Management | 20 – 21 |
| 10. | Review of the Policy | 21 |

1. INTRODUCTION

- 1.1 The Municipal Manager has an obligation in terms of Section 62(1)(a) of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) (MFMA) to ensure that all the resources are used effectively, efficiently, and economically.
- 1.2 The municipality has an obligation in terms of section 13 of the MFMA to establish an appropriate and effective cash management and investment policy.
- 1.3 The purpose of this policy is to establish a cash management and investment framework for the Municipality and to set out the objectives, policies, statutory requirements, and guidelines. This includes defining levels of risk considered prudent for investing surplus funds.

2. SCOPE

- 2.1 To ensure sound and sustainable management of the cash resources of the municipality this policy addresses all principles and processes involved in cash management and investments and includes:
- The objectives of the policy;
 - Due care;
 - Delegation of authority;
 - Management and internal control procedures;
 - Cash management;
 - Investments;
 - Risk Management;
 - Review of the policy.

3. OBJECTIVES

- 3.1 The objectives of the policy are to –
- 3.1.1 sketch the general framework within which the municipality should invest and manage funds;
 - 3.1.2 Ensure compliance with all legislation governing the investment of funds;
 - 3.1.3 Maintain adequate liquidity to meet cash flow needs;
 - 3.1.4 Ensure diversification of permitted investments;
 - 3.1.5 Ensure optimal performance with the least possible risk, in managing and investing the cash resources of the municipality; and
 - 3.1.6 Ensure transparency, accountability, and appropriate lines of responsibility in the process.

4. DUE CARE

- 4.1 Each functionary in the cash management and investment process must do so with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of his or her own affairs and with his or her primary regard being to the probable safety of his or her own capital, in the second instance to his or her liquidity needs and lastly to the probable income derived.
- 4.2 Officials entrusted with investment and management of funds, have a responsibility and are accountable to the community to exercise due care when investing funds.
- 4.3 Speculation may not be undertaken in any of the processes.

5. DELEGATION OF AUTHORITY

- 5.1 In terms of Section 79 of the MFMA, the Municipal Manager must develop an appropriate system of delegation.

- 5.2 The delegation to withdraw money from the municipality's bank or investment accounts may only be given to the Chief Financial Officer or any other senior financial officer as determined, in writing by the Municipal Manager and of which a copy, signed by the Municipal Manager or approved by Council, must be kept with the official set of delegations of the municipality.

6. MANAGEMENT AND INTERNAL CONTROL PROCEDURES

- 6.1 The Municipal Manager, assisted by the Chief Financial Officer, must take all reasonable steps to ensure:

- That the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework;
- That the municipality has and maintains a management, accounting and information system that accounts for all bank and investment accounts, receipting, withdrawals, cash management and investment transactions;
- That, in the case of investments, such investments are valued in accordance with the generally recognised accounting practice (GRAP) guidelines and standards; and
- That the municipality has and maintains a system of internal control over its bank and investment accounts, receipting, withdrawals, cash management and investment transactions.

- 6.2 The internal control procedures involve the Internal Audit Activity and the Auditor General reviewing and testing the systems of the Investment Department on a regular basis. To prevent losses arising from fraud, misrepresentations, error, conflict of interest or imprudent action, a system of internal controls governs the administration and management of the investment and cash management portfolios.

- 6.3 Controls deemed most important include –

- Control of collusion, separation of duties;
- Custodial safekeeping;

- Clear delegation of duties;
- Written confirmation of telephonic transactions;
- Minimising the number of authorised investment officials;
- Checking and verification by senior officials of all investments and approval by Municipal Manager;
- Documentation of transactions and strategies;
- Code of ethics and standards;
- Procedures manuals;
- Electronic Funds Transfer and a detailed procedure manual for the system; and
- Regular reporting to Committee of all investments.

7. CASH MANAGEMENT

7.1 Bank Account Administration:

- 7.1.1 The Municipal Manager or delegated nominee is responsible for the administration of the municipality's bank accounts including the opening of the bank accounts, the designation of the primary bank account and all banking and withdrawal procedures. The bank account may only be managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and particularly Chapter 3 of the Act as well as section 64 of the Act.
- 7.1.2 The Municipal Manager may delegate the duties attached to the administration of the bank accounts as per paragraph 5 of this policy.
- 7.1.3 The Municipal Manager (MM), in conjunction with the Chief Financial Officer (CFO) is responsible for the effective and efficient management of the council funding, namely-
- 7.1.4 The municipality must open at least one bank account in the name of the municipality;

- 7.1.5 The municipality may not open a bank account –
- a. Abroad;
 - b. with an institution not registered as a bank in terms of the Banks Act, 1990 (Act 94 of 1990); or
 - c. otherwise in the name of the municipality.
- 7.1.6 ensure that its funding always has sufficient money for appropriated expenditure and direct charges to meet the progressive cash flow requirements.
- 7.1.7 Bank account requirements, guidelines, and regulations in terms of sections 7, 8, 9, 10 and 11 of the MFMA are adhered to.
- 7.1.8 Ensure that the Municipality accounts daily for the cash movements of all bank accounts in the financial records.
- 7.1.9 The Municipal Manager, in conjunction with the CFO are responsible for establishing systems, procedures, processes and training and awareness programmes to ensure efficient and effective banking and cash management for the treasury and budget offices.
- 7.1.10 Sound cash management would include –
- a. Collecting revenue when it is due and banking it promptly;
 - b. Making payments, including transfers, no earlier than necessary, with due regard for efficient, effective, and economical programme delivery and the municipality's normal terms for account payments;
 - c. Avoiding prepayments for goods or services (i.e. payments in advance of the receipt of the goods or services), unless required by the contractual arrangements with the supplier;
 - d. Accepting discounts to effect early payment only when the payment can be accommodated in the monthly cash flow estimates and is in accordance with the municipality's normal terms for account payments;
 - e. Pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the municipality are collected and banked promptly;

- f. Accurately forecasting the municipality's cash flow requirements so that the National Treasury can optimise its central cash management responsibilities on behalf of the government;
- g. Timing the inflow and outflow of cash;
- h. Recognising the time value of money, i.e. economically, efficiently, and effectively managing cash;
- i. Taking any other 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 under-utilised assets in terms of the asset management policy;
- j. Performing bank reconciliation daily to detect any unauthorised entries;
- k. Ensuring that dishonoured cheques are followed up immediately; and
- l. Segregation of duties to minimise the incidence of fraud.

7.1.11 Only Council's own money is permitted (Private money, private bank accounts and cashing private Cheques are prohibited).

7.1.12 Delegated authority by the accounting officers of departments must assign authority in writing to officials to approve warrant vouchers, cheques, or electronic payments;

7.1.13 Only authorised officials may sign cheques;

7.1.14 All cheques must be crossed "NOT TRANSFERABLE" between parallel lines. The cancellation of crossings is not permitted.

7.1.15 When an issued cheque is lost, stolen or damaged, an instruction to stop payment must immediately be issued to the responsible bank. Once confirmation has been received that the cheque was stopped, the transaction must be reversed and a new cheque issued and accounted for.

7.1.16 Deposit all money received into the bank account(s) promptly and in accordance with the MFMA, Chapter 3.

- 7.1.17 Withdrawals from bank account(s) should be completed in terms of the MFMA, Section 11.
- 7.1.18 Designate and advise NT in writing of details of the primary bank account, or any change in the primary bank account.
- 7.1.19 In cases where a municipality has more than one bank account, ensure that only the municipal manager or CFO is delegated authority to withdraw funds from the primary bank account.
- 7.1.20 Check to ensure that all relief, charitable and trust accounts are set up in the name of the municipality and are administered by the municipal manager.
- 7.1.21 Deposit all money received for relief, charitable and trust accounts into the correct account, and make withdrawals from those accounts only for the purposes for which the fund was established and where appropriately authorised by the municipal manager in terms of the MFMA.
- 7.1.22 Notify NT of occasions when the bank account(s) of the municipality show an (consolidated) overdraft position for a period exceeding a prescribed period, and provide details of the amount, the reasons for the overdraft and the steps taken to correct the matter.
- 7.1.23 Table in council a report of withdrawals each month.
- 7.1.24 Submit to provincial treasury and the Office of the Auditor General written details of new bank accounts when opened, and all bank accounts each year.

7.2 Receipting Management:

- 7.2.1 The Municipal Manager is responsible for the administration of all receipting procedures and must take all reasonable steps to ensure receipting is being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and particularly Section 64 of the Act.

- 7.2.2 The Municipal Manager may delegate the duties attached to receipting as per paragraph 5 of this policy.

7.3 Expenditure Management:

- 7.3.1 The Municipal Manager is responsible for the administration of all expenditure procedures and must take all reasonable steps to ensure expenditure is being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in 11 the Local Government: Municipal Finance Management Act, 2003 and particularly Section 65 of the Act, giving due consideration to Section 11 of the Act.

- 7.3.2 The Municipal Manager may delegate the duties attached to expenditure as per paragraph 5 of this policy.

7.4 Withdrawals:

- 7.4.1 The Municipal Manager is responsible for the administration of all withdrawals procedures and must take all reasonable steps to ensure withdrawals are being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and particularly Section 11 of the Act.

- 7.4.2 The Municipal Manager may delegate the duties attached to withdrawals as per paragraph 5 of this policy.

7.5 Debt Management:

- 7.5.1 To ensure adequate cash – flow the municipality may incur short – or long-term debt, provided that the Council approves all debt agreements, the mayor must sign the resolutions approving the debt agreements and the Municipal Manager signed the debt agreements.

7.5.2 The municipality is, in terms of Section 46(5) of the Local Government: Municipal Finance Management Act, 2003, allowed refinancing its long – term debt for the purpose of saving on the cost of debt.

7.5.3 The Municipal Manager is responsible for the administration of all debt procedures and must take all reasonable steps to ensure debt is being managed in accordance with any auditing requirements as well as any legal 12 requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and particularly Chapter 6 of the Act.

7.5.4 The Municipal Manager may delegate the duties attached to debt management as per paragraph 5 of this policy.

7.6 Cashflow Budget:

7.6.1 To ensure that the municipality has sufficient cash available to comply with the municipality's commitments to its lenders, creditors, statutory payments, and any other commitments, it is necessary to annually compile and submit to Council, as part of the budget documentation, a cash-flow projection for the budget year, broken down per month.

7.7 Working Capital Management:

7.7.1 The Municipal Manager must take all reasonable steps to ensure that the municipality obtains maximum performance on its assets and for this purpose the working capital of the municipality must as far as possible be managed to the maximum benefit of the municipality.

7.7.2 The exercise to provide for a sufficient level of working capital must be done as part of the budget process to budget accordingly. Inventory levels for own use, must be kept as low as possible, creditors must be paid within 30 days of date of receipt of invoice or statement, whichever is the latest or applicable but as late as possible but with due regards to possible discounts on offer and all steps, consistent with the Council's Credit Control and Debt Collection Policy, must be taken to recover moneys due to the municipality.

7.7.3 Investments are made over a short term (less than a year) to manage the liquidity risks of the municipality and not impact the long-term financial plan of the municipality.

7.8 Other Payment Methods:

7.8.1 These relate to other payment mediums such as internet banking, direct deposits, ACB's, Post Office Transactions, Easy Pay, Pay@ etc.

(a) Direct Deposits:

- These transactions are handled by the dedicated person in finance;
- Direct deposits are automated to update individual debtor's accounts.

(b) Easy Pay and Other external vendors:

- All payments transactions received from the external vendors are handled by the data processing official by means of an internet download and transfer to the financial system.
- Balancing of the Easy Pay; Pay@ and other external vendors completed by the Controller: Cashbook and VAT.
- Variances are followed up by the data processing official.

(c) Unallocated deposits:

- Unidentified deposits should be investigated by the senior cashier and transferred by the accountant: Services to surplus funds after a period of 1000 days had expired.

8. INVESTMENTS

8.1 Investment Management:

8.1.1 The Municipal Manager is responsible for the administration of all investment procedures and must take all reasonable steps to ensure investments are being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and particularly Section 13 of the Act.

8.1.2 The Municipal Manager may delegate the duties attached to investments as per paragraph 5 of this policy.

8.2 Investment Ethics:

8.2.1 All functionaries in the investment management process must act with fidelity, honesty, integrity and in the best interest of the municipality and must seek, within the spheres of influence of the functionaries, to prevent any prejudice to the investments of the municipality.

8.2.2 No functionaries in the investment management process may use their position or privileges of, or confidential information obtained as, functionary in the process for personal gain or to improperly benefit another person. Interest rates quoted by one institution should never be disclosed to another.

8.2.3 No person contracted by the municipality for the purpose of investments or no person submitting quotes, bids or any other means of competitive submissions may, either directly or through a representative or intermediary promise, offer or grant any reward, gift, sponsorships, loan, bursary, favour, or hospitality to –

- any official, spouse or close family member of such official or spouse; and
- any councillor, spouse or close family member of such councillor or spouse.

8.2.4 The Municipal Manager must promptly report to the Mayor and National Treasury any alleged contravention of the above and may make recommendations as to whether the alleged offending party should be listed on the National Treasury's database of persons prohibited from doing business with the public sector. Any such report by the Municipal Manager must give full details of the alleged breach and a written response from the alleged offending party, as well as proof that the alleged offending party received the allegations in writing and were given at least 7 (seven) working days to respond, in writing, to the allegations.

8.2.5 Any sponsorship promised, offered, or granted to the municipality must promptly be disclosed to the National Treasury.

8.2.6 Investments by a municipality on behalf of a municipality –

- Must be made with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion, and intelligence would exercise in the management of that person's own affairs;
- May not be made for speculation but for investment; and
- Must in the first instance be made with primary regard being to the probable safety of the investment, the second instance to the liquidity needs of the municipality or entity and lastly to the probable income derived from the investment.

8.3 Investment Objectives:

8.3.1 Objective 1 – Security:

The first and foremost objective for investments is the preservation and safety of the principal amount invested. It is a requirement that investments may only be made with institutions with a credit-worthy rating of F1 (Fitch) and better. Any investments made must be liquidated if an institution's credit-worthy rating falls below the level of F1 (Fitch).

8.3.2 Objective 2 – Liquidity:

The cash – flow budget must be used as an instrument in determining liquidity needs. Other factors such as the payment runs for creditors, dates for salary and statutory payments and dates for debt repayments must also be brought into account to ensure cash requirements, and resultant investment periods, are being calculated to such an extent that maximum yield on surplus cash can be obtained.

8.3.3 Objective 3 – Yield:

It is necessary to ensure optimal yield on the municipality's investments, but a higher yield should never increase the risk of preservation and safety of the principal amount invested or not meeting cash – flow requirements. Where an institution has a sudden increase above the average market increase in investment returns, the Municipal Manager must determine whether the institution is in liquidity or financial problems, and in such an instance liquidate the investments with such an institution as soon as possible.

8.4 Types of Investment Accounts:

8.4.1 Cash reserves (working capital) at year end to be determined as follows:

The following funds, reserves, liabilities, and provisions must be cash- backed always:

- Unspent conditional grants;
- Contract revenue received in advance;
- Housing development fund;
- Unspent loans;
- Loan repayments due;
- Provision for environmental rehabilitation;
- Employee benefit obligation;
- Consumer deposits;
- Capital replacement reserve;

- insurance reserve; and
- Working capital (to be equal to budgeted fixed operating expenditure divided by 12).

Where this section of the policy may affect comparative information in the AFS, the policy is applicable to the comparative period as well.

8.4.2 Where a Trust Deed prescribes how the trust money is to be invested, the prescriptions in the Trust Deed will prevail over this policy.

8.4.3 It is a general principle, the higher the investment the better the yield, and for this purpose the Municipal Manager should combine as much cash as possible, and invest it together.

8.5 Approved Investments:

8.5.1 Investments should be structured according to the best yield available and the liquidity needs of the municipality. This can include Call Deposits and Fixed Term Deposits subject to paragraph 8.3

8.6 Qualifying Institutions:

8.6.1 It is of utmost importance that the investments only be placed with credit-worthy institutions with a credit – rating of F1 (Fitch) and better.

8.6.2 Fitch ratings to be obtained of all investment institutions before a financial institution may be considered for investing funds.

8.6.3 Ratings must be updated at least annually or when there has been structural change in the market or at the institution.

8.6.4 The optimal combination of the most favourable rated institution and the institution offering the best returns for the investment sought, should be the determining factor when choosing the institution.

8.6.5 Only deposits with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990) are permitted.

8.6.6 Should the National negative rating of South Africa affect the rating of financial institutions, and therefore below F1, the CFO may invest with the highest rated financial institutions. This may only be done under abnormal circumstances and should as such be noted on the investment workings for that month and only financial institutions that are under normal circumstances are rated F1 or higher will be considered for investment.

8.7 Investment Diversification:

8.7.1 Without limiting the Municipal Manager to any specific amount or percentage of investments, it is hereby established that investments made by the municipality should be diversified as much as possible between different institutions, maturity dates and types, but nothing prevents the Municipal Manager from investing more cash with an institution than by another institution with due regards to the standard of care and objectives set in this policy.

8.7.2 Having determined that funds are available for investment and the maximum period for which the funds may be invested, the CFO (or his delegated nominee in the treasury and budget section) needs to consider the way the investments are placed. As rates can vary according to the money market perception related to the term of the investment, there is merit in obtaining quotes for periods within the maximum determined.

8.8 Competitive Selection of Bids or Offers:

8.8.1 In establishing where investments must be made, at least 3 (three) written quotations must be obtained by the Municipal Manager from any of the institutions listed in paragraph 8.6 above. The Municipal Manager may not divulge interest rates to other institutions during the quotation process. External Investment Fund managers may be used.

8.8.2 Where funds are held in current account, it is possible and good practice to negotiate deposits at more beneficial rates, e.g. call deposits.

- 8.8.3 These rates can normally be bettered by fixed terms investments. The overriding principle is that funds in the current account must be kept to the minimum, subject to relevant cash flow requirements.

8.9 Call and Fixed Deposit Procedures:

- 8.9.1 Quotations should be invited from at least three financial institutions for the term for which the investment is to be placed. In the event of one of the financial institutions offering a more beneficial rate for an alternative term, the institutions invited to quote should be approached for their rates on the alternative term.
- 8.9.2 Requests for written quotations may be obtained telephonically.
- 8.9.3 The person responsible for calling for quotations from institutions should note the name of the institution and the terms and interest applicable, e.g. whether interest is payable monthly or on maturity.
- 8.9.4 Having obtained the necessary number of quotations, the decision needs to be made regarding the best terms offered and the institution with who the investment is to be placed. With due regard to the investment principles, it is customary to accept the best offer made (but subject to the total amount already invested with such institution) and no further negotiations are to be entered into with any of the persons who have tendered their investment rates and terms to try and push up one against the other.
- 8.9.5 Having been invited to quote on a particular package, institutions should be advised that they must offer their best rate when they respond and that no further negotiation or discussion will be entered.
- 8.9.6 The above procedure should be followed whether placing one's monies on a fixed investment or on a call basis.
- 8.9.7 As a standard practice investment are only made directly with the Banks and not through intermediaries.

- 8.9.8 Once a schedule of investment options has been prepared a recommendation should be made to the CFO for approval.
- 8.9.9 The necessary documents for investing purposes should be completed and the persons involved with the investment should preferably not be the same two signatories that authorise the cheque or electronic funds transfer for payment.
- 8.9.10 An investment register should be maintained, defining the following detail-
- Institutions, per institution;
 - Institution percentage held as a percentage of the total municipal investment portfolio;
 - Type of investment;
 - Investment time-period / lifespan;
 - Amount invested;
 - Interest percentage receivable on the investment;
 - Engagement date;
 - Maturity date; and
 - Fully accrued interest and yield for the reporting period.
- 8.9.11 In accordance with the provincial notice on archiving, investment records are to be retained by the Local Authority for an indefinite period.

8.10 Commissions or Costs:

- 8.10.1 No commission for investments made or referred is payable to an official or councillor, or spouse, business partner or close family member of an official or councillor by an institution or Investment Fund manager.

8.11 Performance and Monitoring:

- 8.11.1 The Municipal Manager must annually measure the performance and regularly monitor its investment portfolio and must the necessary reporting requirements as set out in the Municipal Investment Regulations to be adhered to.

8.12 Forbidden Activities:

- 8.12.1 No investments may be made other than in the name of the Municipality.
- 8.12.2 Money may not be borrowed for the purpose of investments.
- 8.12.3 No person, including officials and councillors, may interfere or attempt to interfere in the management of investments entrusted to the Municipal Manager or persons delegated by the Municipal Manager, including Investment Fund managers.
- 8.12.4 No investments may be made other than be denominated in Rand and which is not indexed to, or affected by, any fluctuations in the value of the Rand against any foreign currency.

9. RISK MANAGEMENT

- 9.1 Whilst the investments made in accordance to Section 13 of the MFMA are inherently low risk, when exercising the power of investment, the following principles are also to be given due consideration:
- To determine the working capital of the municipality, the cash flow is considered together with the maturity dates and types of all Investments;
 - The purpose of the investment and its needs together with the circumstances;
 - The nature of and the risk associated with the different investments;
 - The risk of capital loss or income loss;
 - The likely return and the timing of that return;
 - The liquidity and the marketability of the proposed investment during, and at the determination of the term of the proposed investment;
 - The aggregate value of the investment;
 - The costs of making the proposed investment;
 - The ethicality and reputation risk of the investment; and

- Due consideration that all investments not made with one institution (the concentration of investments).

10. REVIEW OF THE POLICY

- 10.1 This Cash Management and Investment Policy is the sole policy governing cash management and investments in the municipality. The Municipal Council must approve any reviews to this policy.
- 10.2 The mayor must submit any proposed changes to this policy to the Council as part of the annual review of policies submitted with the budget documentation.
- 10.3 Whenever the Minister of Finance or the National Treasury or the Auditor-General requires changes to the policy by means of legislation or requests, it should be reviewed promptly in accordance with such requirements, giving full details of the reasons for the revision.