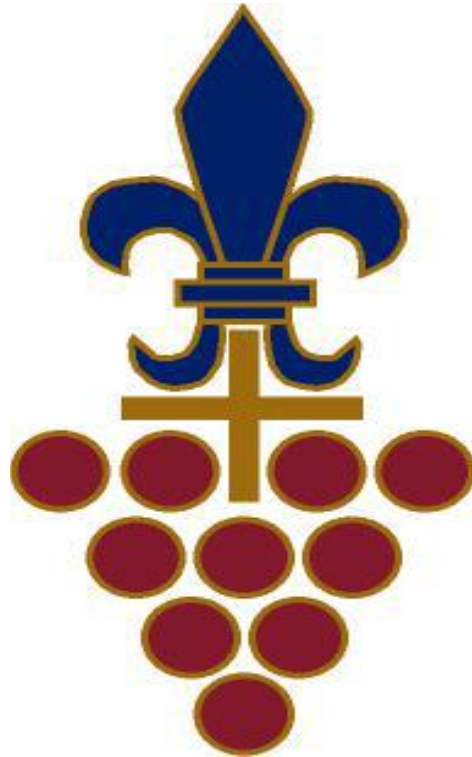


STELLENBOSCH MUNICIPALITY



CASH MANAGEMENT AND INVESTMENT POLICY

2013/2014

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PREAMBLE

Whereas section 13 of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003) determines that a municipality must introduce an appropriate and effective cash management and investment arrangement;

and whereas a bank, in accordance with the provisions of section 13 of the Act, has to disclose details regarding a municipalitiesqinvestments;

and whereas councilors and officials, as trustees of public funds have an obligation to ensure that cash resources are managed as effectively, efficiently and economically as possible;

now therefore the Stellenbosch Municipality adopt the cash and investment management policy set out in this document.

1. LEGAL FRAMEWORK

Legislation . local government: Municipal Finance Management Act 56 of 2003 (As amended)

- a) Treasury regulations in terms of Section 13(1) of the Act (As amended)

In this policy the Act refers to the MFMA.

2. OBJECTIVES

- a) To maximize returns from authorized investments, consistent with the secondary objective of minimizing risk
- b) To ensure compliance with all legislation governing the investment of funds.
- c) To maintain adequate liquidity to meet cash flow needs
- d) To undertake the investment of funds not immediately required for operational purposes in a prudent financial manner.
- e) To ensure diversification of permitted investment.

CASH MANAGEMENT

3.1 General Policy

It is recognised that from time to time, Council has cash flow surpluses and borrowing requirements due to daily receipts and payments.

Council maintains a daily cash position summary and a yearly cash flow projection is prepared during the annual planning process and is updated monthly. This determines Council's borrowing requirements and surpluses for investment. Cash invested % outside the bank account is covered by section 4 of this policy.

3.2 Bank Accounts

Council operates one primary bank account for its day to day operational activity requirements and two secondary accounts specifically for service charges and revenue derived from Fines.

All monies due to Council and due by Council emanating from Council activities must pass through this primary account, therefore secondary accounts are swept daily and all balances are transferred to the primary bank account.

3.2.1 Cheque Management

Cheques are printed in batch format. To prevent the removing of cheques, cheques are delivered in sealed boxes where strict control is exercised over the numerical sequence of cheques on the expenditure system by means of a cheque register.

3.2.2 Delegation/Rights

The incumbents of the following posts are authorized to sign cheques on behalf of Council

3.2.2.1 Cheques

- A-Signatories: Chief Financial Officer
Manager: Budget Office
Manager: Treasury Office
Manager: supply Chain Management
Head: Expenditure
Head: Revenue
Head: Budgeting and Costing
Head: Financial Statements, Compliance and Reporting
- B-Signatories: Chief Accountant: Consumer Accounts and Valuations
Senior Accountant: Cash Management and Credit Control
Senior Accountant: MFMA Reporting and Compliance
Senior Accountant: Financial Statements and Reconciliations
Senior Accountant: Financial Asset Management
Senior Accountant: Expenditure

Each cheque needs to be signed by at least two A-signatories, or one A-signatory and one B signatory.

3.2.2.2 Electronic Funds Transfer (EFT)

- A-Signatories: Chief Financial Officer
Manager: Budget Office
Manager: Treasury Office
Manager: Supply Chain Management
Head: Expenditure
Head: Revenue
Head: Budgeting and Costing
Head: Financial Statements, Compliance and Reporting
- B-Signatories: Chief Accountant: Consumer Accounts and Valuations
Senior Accountant: Cash Management and Credit Control
Senior Accountant: MFMA Reporting and Compliance
Senior Accountant: Financial Statements and Reconciliations
Senior Accountant: Financial Asset Management
Senior Accountant: Expenditure

Each electronic payment needs to be authorized by at least two A-signatories, or one A-signatory and one B signatory.

3.3 Bank Overdraft

- 3.3.1 Barring the fact that Council 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.

Short-term debt is incurred based on expected income and must be repaid within the same financial year. (Section 45 of the MFMA)

- 3.3.2 Any overdrawn bank account at any date must be reported without avail to Council supported by reasons therefore.

3.3.3 Any short term facility that requires review must first be approved by the Accounting Officer.

4 INVESTMENT MANAGEMENT

4.1 General Policy

Generally Council will invest surplus funds with deposit taking institutions registered in terms of the Bank Act, 1990 (Act 94 of 1990) for terms not exceeding one year in anticipation of cash flow expectations. From time to time, with prior Executive Mayoral Committee approval, investments can exceed 1 [one] year and be made at other institutions/instruments as approved in the National Treasury regulations from time to time.

4.2 Diversification

Council will only make investments with approved institutions which have an A rating as per Appendix A and or as allowed for in the Investment Regulations promulgated by the Minister of Finance. Not more than 30% of available funds will be placed with a single institution. (Excluding investments made per Executive Mayoral Committee resolution).

4.3 Investment Managers

4.3.1 External Investment Managers

The municipality may as and when the need arise approach an external A-graded investment manager to administer the investment portfolio on its behalf. The external investment manager will be appointed in terms of SCM policy and service level agreement will govern the functions and responsibility of the service provider. All investments made by the external investment manager on behalf of the Council of Stellenbosch must be made within the ambit of this policy and with National Treasury's investment 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 Act, the Accounting Officer has delegated to the Chief Financial Officer(CFO), in writing, his duty under section 65(2)(h) to manage the councils available working capital effectively and economically in terms of the prescribed cash management and investment framework and as such can not be sub-delegated

4.4.2 Obtaining quotations and concluding deals

Writing mandates, signed by the CFO, shall be issued to all investees with whom the Council of Stellenbosch invests funds setting out the following

- 4.4.2.1 Authorised dealers: name and particulars of the Councils officials who are authorised to transact investments deals with the investees;
- 4.4.2.2 Authorised signatories: name and particulars of the Councils officials who are authorised to sign written confirmations or any other correspondence in respect of investments transactions.
- 4.4.2.3 A dealing sheet, signed by an authorised dealer, shall be prepared in all instances for each individual investment, detailing the quotations received and the recommended investee. The CFO shall be authorised to approve the transaction.

A written confirmation of the terms of each investment transaction shall be prepared, and signed off by the CFO.

4.5 Ownership

All investments must be made in the name of the Council of Stellenbosch Municipality. Written proof of investments made must obtained from the institution where the investment is made and must be kept on file.

5 DUE CARE

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

- 5.1 The Chief Financial Officer and all staff in his/her directorate 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 MEASUREMENT

Measuring the effectiveness of Council's treasury activities is achieved through a mixture of subjective measures. The predominant subjective measure is the overall quality of treasury management information. The Chief Financial Officer has primary responsibility for determining this overall quality.

Objective measures include:-

- 6.1 Adherence to policy.
- 6.2 Timely receipt of interest income.

7 REPORTING

7.1 Reports

The following reports are produced:

REPORT NAME	FREQUENCY	PREPARED BY	RECIPIENT
Bank Balance report	Daily	Senior Clerk Bank Reconciliations	Chief Finance Officer
Investments	Monthly	Manager: Financial Statements and Reporting	Manager: Budget Office To Chief Finance Officer Council

8 ANNUAL REVIEW OF POLICY

This policy on cash and investments management will be reviewed annually or earlier if so required by legislation.

Any changes to said policy must be adopted by council and be consistent with the Act and any National Treasury regulations.

9 EFFECTIVE DATE

The effective date of this policy was 1 July 2007 and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.