

DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY



CASH MANAGEMENT & INVESTMENT POLICY

2025-2026

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1. DEFINITIONS

Accounting Standards Board is a legislative entity established by chapter 11 of the Public Finance management Act No. 1 of 1999 to set standards of generally recognised accounting practice as required by section 216(1)(a) of the Constitution.

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows are inflows and outflows of cash and cash equivalents.

Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

GRAP- general recognized accounting practice as required by section 216 (1) (a) of the Constitution to ensure transparency and expenditure control.

Interest money born from investment, which is expressed in a form of percentage rate over a certain period and reflects the rate of exchange of present consumption for future consumption.

Investment means the placing the funds of the municipality on deposit with a financial institution in order to obtain interest or the equivalent.

Liquidity means the ability to make funds available to meet all anticipated obligations and maintaining a prudent reserve to meet unanticipated cash requirements. It is also the ability to change an investment into its cash equivalent on short notice.

Long-term investments are funds not immediately required and deposited for a period exceeding one year, either as security to loans obligations or as an interest earning investments.

Maturity is the date upon which the principal or stated value of an investment becomes due and payable.

Municipality refers to Dr Pixley Ka Isaka Seme Local Municipality.

Municipal Manager or Accounting Officer means a person appointed in terms of section 82 of the Municipal Structures Act.

Policy refers to the Cash Management Policy of Dr Pixley Ka Isaka Seme Local Municipality.

Risk Analysis means that the overall value of funds shall not be diminished in the process of securing and investing those funds or over the duration of the investment.

Short-term investments are funds not immediately required and deposited for a period not exceeding one year.

Trust money is the money held in trust on behalf of third parties in a trust contemplated in terms of section 12 of the Municipal Financial Management Act.

The Act or "MFMA" means the Municipal Financial Management Act (Act 56 of 2003)

The Regulation means is the Municipal Investment Regulation No. R 308 Gazetted on 1 April 2005 in Gazette number 27431.

2. OBJECTIVES

2.1 Primary Objective

This policy gives effect to the requirements to implement a Cash Management policy as stated in the Municipal Financial Management Act no 56 of 2003 section 13(2) being;

"A municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed in terms of subsection (1)."

2.2 Specific objectives

To ensure Dr Pixley Ka Isaka Seme Local Municipality and its Chief Financial Officer, as trustee of public funds, exercise their obligation to ensure that cash resources are preserved and safe guarded against loss.

To ensure that the MFMA requirements regarding bank accounts are adhered to.

To ensure the cash resources of Dr Pixley Ka Isaka Seme Local Municipality are managed in the most efficient, effective and economical manner possible.

To ensure that the Municipality will function as a viable going concern.

To ensure the liquidity needs of Dr Pixley Ka Isaka Seme Local Municipality are appropriately planned and provided for through Cash flow projections.

To ensure compliance and transparency in all processes.

To ensure that all monies due to Council are collected, receipted, safeguarded and banked appropriately when they are received.

To ensure that payments to creditors are made within the legislative framework.

3. SCOPE

This policy covers all cash and cash related transactions belonging to Dr Pixley Ka Isaka Seme Local Municipality.

This policy covers all cash and cash related transactions by all bodies holding surplus funds or cash belonging to Dr Pixley Ka Isaka Seme Local Municipality.

4. RESPONSIBILITIES AND ACCOUNTABILITIES

4.1 Statutory Delegations

- The Municipal Finance Management Act, 2003, paragraph 81 (1) "The Chief Financial Officer of a municipality –
 - (c) must assist the accounting officer in the administration of the municipality's bank accounts and in the preparation and implementation of the municipalities budget;*
 - (e) must perform such budgeting, accounting, analysis, financial reporting, cash management, debt management, supply chain management, financial management, review and other duties as may in terms of section 79 be delegated by the Municipal Manager to the chief financial officer.*
- The Municipal Finance Management Act, 2003, paragraph 82 (1) "The Chief Financial Officer of a municipality may sub-delegate any of the duties referred to in section 81(1)(b), (d) and (e)—
 - (a) to an official in the budget and treasury office;
 - (b) to the holder of a specific post in that office; or
 - (c) with the concurrence of the Municipal Manager, to—
 - (i) any other official of the municipality; or
 - (ii) any person contracted by the municipality for the work of the office.

The Municipal Council determines policies and has an oversight role to see these policies are implemented.

4.2 Municipal Council oversight role includes:

- Council retains the responsibility to determine and approve this policy and to monitor its application.
- Council may delegate this to the Executive Mayor and the Executive Mayor may sub-delegate this to one of the committees of Council.
- Council may not delegate this oversight role to any official of the Municipality or person not being part of Council.

The Municipal Manager is responsible to Council for the implementation and administration of Council policies.

4.3 The Municipal Manager must ensure that:

- The municipality has and maintains a management, accounting and information system that accounts for the cash and cash related transactions of the municipality;
- The municipality's cash and investments are valued in accordance with standards of generally recognized accounting practice;
- The municipality has and maintains a system of internal control over cash and surplus cash.
- The Directors and Managers and their teams comply with this policy.
- Must administer bank account of the municipality and must enforce compliance with section 7 (Opening of Bank accounts), 8 (Primary Bank account) and 11

(Withdrawals from Municipal bank accounts) of the Municipal Finance Management Act 56 of 2003.

The Chief Financial Officer is responsible to the Municipal Manager to assist in the implementation of the policy and to ensure that the financial assets of the municipality are safeguarded.

4.4 The Chief Financial Officer must ensure that:

- Appropriate systems of financial management and internal controls are established and carried out diligently;
- The financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently;
- Any unauthorized, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- The systems, processes and registers required to substantiate the financial values of the municipalities' Cash and Cash transactions are maintained to standards sufficient to satisfy the requirements of the auditor-general.
- Financial processes are established and maintained to ensure the municipality's financial resources are optimally utilized through appropriate Cash flow planning and budgeting.
- The municipal manager is appropriately advised on the exercise of delegated powers and duties pertaining to the financial administration of Cash and Cash related transactions.
- The senior managers and senior management teams are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of Cash and Cash related transactions.
- This policy and any supporting procedures or guidelines pertaining to Cash and Cash related transactions are established and effectively communicated.
- The Chief Financial Officer may delegate or otherwise assign responsibility for performing these functions, but s/he will remain accountable for ensuring these activities are performed.

4.5 Process of Delegation

- The process of delegation must conform to appropriate legislation and Municipal policies on delegations. These guidelines will include:
- The need for delegations to be in writing,
- The need for delegations to be recording in a delegations register.
- The need for the delegated person to report back on how they have acted on this delegation.

5. INTERNAL CONTROLS

Controls around the cash and cash equivalents should be sufficient to provide an accurate, reliable and up to date account of assets and transactions under their control to the standards specified by the Chief Financial Officer and as required by the Auditor General of South Africa. The internal controls should also safeguard cash transactions and actions from loss.

5.1 Cash Management Procedures

The Chief Financial Officer or delegated Official must for:

Cash Flow Management

- Ensure regular and effective cash flow monitoring and forecasting which is essential for determining the timing and size of cash surpluses and deficits affecting investment decisions. Surplus cash shall be immediately invested in order to maximise interest earnings. The balance on the Municipality's current account shall be maintained at the minimum required level taking into account the day to day cash and expenditure requirements of the Municipality.
- Be responsible for the municipality's cash flow management and establish and implement at all times a cash management plan and reports which entails at least the following:
- **Daily Cash flow reporting:**
 - a summary of the preceding day, and month date, closing bank account and investment balances, cash receipts and payments
 - a detailed schedule of investment capital and interest maturing on the current day
 - a summarised schedule of daily investment maturities for all existing investments
 - a summary of daily cash receipts and payments, actual against forecast for the month to date
 - a daily projection of cash receipts and payments through to the end of the current month
 - Timing the in- and outflow of cash.
- **Monthly Cash flow reporting:**
 - comparisons of actual cash flow with forecast, current month and year to date and an explanation of any variances
 - updating the estimates on a monthly basis and in reporting provides comments or explanations regarding any significant cash flow deviation in any calendar month
 - a summarised monthly projected cash flow over the next 12 (twelve) months
 - an analysis of actual year to date cash receipts and payments and projected cash flows for the remaining months of the current financial year to be submitted to National Treasury
 - the cash backing of statutory funds and reserves balances at the end of the month
- **Quarterly Cash flow reporting preparing a revised detailed cash flow projection for the next 12 (twelve) months.**
 - Determine the likely dates for receipt of grants from government and the estimated amounts.

- Accurately forecasting the institution's cash flow requirements.
 - Determine procedures for maximizing interest on surplus funds.
 - Determine which officials are to receive the cash flow report.
 - Timing the in and outflow of cash.
 - Recognising the time value of money, i.e. economically, efficiently and effectively managing cash
 - 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 program delivery, and selling surplus or underutilised assets on auctions.
- **Payment to Suppliers :**
 - The Accounting Officer, assisted by the Chief Financial Officer, shall establish written creditors' payment procedures in terms section 65(2) of the MFMA in order to ensure that the Municipality maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds.
 - The Chief Financial Officer shall ensure that all tenders and quotations invited by and contracts entered into by the Municipality stipulate payment terms favourable to the Municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the Municipality.
 - Suppliers shall be paid in accordance with the services level agreements concluded with such suppliers and the provisions of the Supply Chain Management Policy of the Municipality. The number of electronic batch payment runs shall be minimised and shall be done in a structured scheduled manner in order to facilitate efficient cash flow management.
 - The Chief Financial Officer shall ensure that the Municipality optimises financial incentive opportunities arising from effecting earlier payments.
 - In order to ensure continuous effective control of cash any special payments to creditors shall only be made with the express approval of the Chief Financial Officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end processing.
 - Regular reports indicating, when and for what periods and amounts surplus revenues may be invested, when and for what amounts investments will have to be liquidated, and when, if applicable, either long-term or short-term debt must be incurred
 - Annually prepare:
 - the annual estimates for the budget year of the municipality's cash flows per revenue sources divided into calendar months
 - the annual cash flow budget for the new financial year

- Budget related Cash flow projections
- All capital projects worth more than R1,000,000 shall include a cash flow forecast as part of the Business Plan to be submitted prior to budget approval by all departments.
- All operational budgets shall include cash flow forecasts where the expenditure pattern will vary significantly over the year submitted by all departments.

5.2 **Municipal Bank Accounts (MFMA Chapter 3 sec 7)**

Opening of bank accounts

- (MFMA section 7)
- (1) Every municipality must open and maintain at least one bank account in the name of the municipality.
- (2) All money received by a municipality must be paid into its bank account or accounts, and this must be done promptly and in accordance with this Chapter and any requirements that may be prescribed.
- (3) A 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 No. 94 of 1990); or
 - (c) otherwise than in the name of the municipality.

Bank account management

- The Chief Financial Officer must establish the following with the municipality's bankers:
 - Procedures regarding the frequency of printing and receipt of bank statements
 - Access to on-line banking facilities
 - Security of information when transacting with the bank through on-line facilities or otherwise
 - The basis for calculating bank charges
 - The extent of bank overdraft facilities;
 - The bank overdraft interest rate; and
 - Cash management arrangements to transfer surplus funds to a call investment account.
- The Chief Financial Officer must ensure that the following MFMA requirements regarding bank accounts are adhered to:
 - Bank account(s) must be in the name of the municipality (MFMA Sec7(3)(c));
 - Bank account(s) must be with an institution registered as a bank in terms of the Banks Act no94 of 1990, (MFMA Sec 7(3)(b));
 - The municipality must have no bank accounts abroad (MFMA Sec 7(3)(a));
 - Bank account details - name, type and number - must be submitted to Provincial Treasuries and the Auditor-General as follows:

- Annually before the start of the financial year (MFMA Sec 9); and
- Within 90 days after a new account has been opened
- A specific account should be identified as the primary bank account (MFMA Sec 8(1)), for this account the details must also be submitted to National Treasury (once-off). In addition this primary account can only be changed after informing the National Treasury and the Auditor-General, 30 days in advance.
- All municipal bank accounts should be administered by the accounting officer of the municipality (MFMA Sec 10(1)(a)) and should be accountable to the municipal council for the accounts (MFMA Sec 10(1)(b)).

Bank deposits, Direct Transfers and Electronic Banking Management

- Establish daily credits to the municipal bank account and follow up to ensure that these deposits or credits are accounted for in the records of the municipality.
- Cash on hand should be deposited into the bank account of the municipality on a daily basis except for public holidays and weekends.
- Identify full details of each credit timely to avoid having to account for these credits in the "Default Cash"/"Unidentified receipts" suspense account.
- Process the daily transfers or direct deposits into the municipal bank account and the accounting system by processing the credits through the municipality's receipting procedures. In this event, it is desirable to keep these transactions separate from the normal transactions. A daily direct deposit control sheet should be completed as a record of what direct deposits have been processed.
- Record all unidentified credits (receipts) in a suitable register to facilitate future claims against the amount and follow up.
- Balance the unidentified receipts register to the "Default Cash"/"Unidentified receipts" suspense account in the general ledger on a monthly basis.
- The CFO shall determine the maximum amount on Credit Card Payments from the customers as to encourage the customers to rather do EFT payments to save Bank costs for the municipality and improve cash management.

Payments and Debits on the Municipal Bank account

- The Chief Financial Officer or delegated Official must:
 - Verify all debits on the municipal bank accounts to ensure that these entries are correct and accounted for.
 - Inspect the bank statements to confirm that the only debits on the account are:
 - Bank Charges
 - Interest paid on overdraft
 - Electronic transfers such as transfers to salaries accounts
 - Electronic payments to suppliers made by the municipality.

- Check the bank charges and interest amounts for reasonableness, and make out a payment voucher for these costs and process to the ledger. This voucher should reflect the bank statement number and line per entry;

Withdrawals from the municipal bank accounts (MFMA sec 11)

- The Accounting Officer or delegated Official must within 30 days after the end of each quarter:
 - table in the municipal council a consolidated report of all withdrawals made in terms of section 11 (1) (b) to (j) during that quarter
 - submit a copy of the report to the relevant provincial treasury and the Auditor General.

5.3 Reconciliation of the Municipalities accounting records to the Bank account statements

Bank Reconciliations and account management

- The Chief Financial Officer should:
 - Allocate the responsibility for the management and accounting for all deposits or credits to the bank statement to an authorised designate official.
 - Allocate the responsibility for the management and accounting for all debits to the bank statement i.e. stop orders, transfers and other debits to an authorised designate official.
 - Allocate the responsibility for the preparation of the bank reconciliation to an authorised designate official.
 - Allocate the responsibility for retrieving information from the bank to an authorised designate official.
 - Check the accuracy of the bank reconciliation on a regular basis.
 - Determine the frequency of performing the bank reconciliation (i.e. monthly).
 - Review the bank reconciliation on a monthly basis (and initialled as evidence of review) to satisfy himself/herself that the cash book is being properly and timeously written up. These monthly reviewed reconciliations should be kept for audit purposes.

Electronic bank payments, direct deposits and Bank Reconciliation procedures

- The Chief Financial Officer or delegated official should:
 - Obtain the transfer batch report (report reflecting all payments made by electronic bank transfer list to creditors for the month).
 - Obtain bank statements from the bank on a daily basis and do daily reconciliation.
 - Identify all the direct debits on the statement and match to the corresponding vote from the direct debit vote register (if any of the following: loan agreements, cell phone contracts, credit cards, rentals,

service charges). Process these debits by capturing to the relevant votes on the system.

- Identify all the direct credits on the bank statement, such as direct deposits by ratepayers, consumers and levy payers, subsidies and grants paid by National and Provincial Governments, interest on investments and miscellaneous credits. Process these credits by capturing to the respective votes on the system.
- If the credit cannot be identified it is posted to the vote for unidentified receipts ("Default Cash").
- Scrutinise bank charges for reasonableness and query with the bank if it appears to be too high.
- Match:
 - ❖ Each electronic payment from the batch transfer report to the cashbook and bank statement
 - ❖ Each deposit from the cashier's deposit book to the cashbook/receipts listing and the bank statement
 - ❖ The bank charges from the bank statement to the cashbook
 - ❖ The interest earned on investments from the bank statements to the cashbook
 - ❖ All other direct debits from the bank statements to the cashbook.
 - If payments are matched on the cashbook and bank statement, then change the fields on the cashbook to indicate that the EFT was successfully presented.
 - Print the reconciliation when all entries are processed.
 - If all entries were correctly posted, the balance as per the reconciliation statement will match the balances on the bank statement. No "miscellaneous" or other balancing items must be shown on the bank reconciliation. If the balances do not match repeat the process to detect the error. Differences must be corrected immediately and not left as reconciling items to be reconciled at a later stage.
 - Present the reconciliation to the Revenue Manager and Chief Financial Officer for signature and approval.
 - File and safeguard the approved reconciliation in a special file labelled "Bank Reconciliation for the Month".

Authorisation and control procedures of the Bank Reconciliation

- The Chief Financial Officer or delegated Senior official should:
 - Ensure that the bank statement balance agree to the balance reflected on the Bank Reconciliation at month end date.
 - Ensure that the cash book balance agree to the general ledger.
 - Test the mathematical accuracy of the bank reconciliation.
 - Test the reconciling items on the bank reconciliation as follows:
 - • Trace outstanding deposits to subsequent bank statements
 - • Ensure that other reconciling items agree to supporting documentation

- Inspect whether all bank accounts were accounted for by comparison with previous month's working papers and examining it for accounts omitted.
- Inspect whether reconciling items are cleared on a timely basis.
- Explain all reconciling items which have been outstanding for more than three months in a report to the council in terms of regulation 18435 (Government Gazette of 14 Nov 1997).
- Review bank reconciliations and investigate large or unusual items.
- Scrutinise the cash book for unusual transactions or entries and obtain explanations from officials.

Bank Overdraft Authorisation

- The Chief Financial Officer or delegated official should:
 - In respect of a bank overdraft ensure that:-
 - • It is authorised by a council resolution.
 - • The credit limit is specified in the resolution of the council.
 - • The terms of the agreement, including the credit limit, are only changed by another resolution of the council.
 - • Where the credit facility was approved by the council - only for emergency use, the accounting officer notify the council in writing, as soon as is practicable, of the amount, duration and cost of any debt incurred in terms of such a credit facility, as well as the options available for repaying such debts. (Section 45 (3) of the Municipal Finance Management Act, Act No 56 of 2003.)

Management of Inventory

- Each head of department shall ensure that such department's inventory levels do not exceed-
 - (a) normal operation requirements in the case of items which are not readily available from suppliers; and
 - (b) Emergency requirements in the case of items which are readily available from suppliers.
- Each head of department shall periodically review the levels of inventory held and shall ensure that any surplus items are made available for disposal in accordance with the Municipality's supply chain management policy.

6. INVESTMENTS

Investment principles

Limiting exposure

Where significant amounts of money are available for investment the Chief Financial Officer shall ensure that they are invested with more than one institution, wherever practicable, in order to limit the risk exposure of the Municipality: Provided that preference shall be given to institutions with local offices when investment decisions are made.

The Chief Financial Officer shall further 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, i.e. call, money market and fixed deposits.

Risk and return

Although the objective in making investments on behalf of the Municipality is to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved in regard to both the financial institution and the investment instrument concerned.

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 par 9.4 below).

Payment of commission

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.

Call deposits and fixed deposits

Any monies paid over to the investee in terms of the agreed investment (other than monies paid over in terms of part 7 below) shall be paid over only to such institution itself and not to any agent or third party.

Once an 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 investee in the name of the Municipality.

When an investment is called up or matures, the capital and interest must be paid out and deposited in Municipality's primary bank account.

Restriction on tenure of investments

No investment with a tenure exceeding twelve months shall be made without the prior approval of the Mayoral Committee.

Minimum acceptable rating for investments

- Cash revenues not immediately required for the Municipality's needs may be invested in any investment type listed in regulation 6 of the Municipal Investment Regulations 2005.
- The Municipal Manager may, subject to the Municipality's supply chain management policy, appoint an investment manager to advise her or him on investments. The Municipal Manager may not appoint an investment manager to manage investments on behalf of the Municipality.

Competitive bidding

- Before making any call or fixed deposits, the Chief Financial Officer, shall obtain quotations from at least three financial institutions.
- Given the volatility of the money market, the Chief Financial Officer, shall, whenever necessary, request quotations telephonically, e-mail or fax and shall record in an appropriate register –
 - (a) the name of the institution;
 - (b) the name of the person contacted;
 - (c) the relevant terms and rates offered by such institution;
 - (d) whether the interest is payable monthly or only on maturity; and
 - (e) any other relevant information.
- Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, e-mail or any other expedient means).

Monitoring and reporting

- The Chief Financial Officer shall ensure that proper records are kept of all investments made by the Municipality. Such records shall indicate –
 - (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 date.
- If any investment is liquidated at a date other than the maturity date, such date shall be indicated in the investment register.
- The Chief Financial Officer shall-
 - (a) ensure that all interest and capital properly due to the Municipality are timely received; and
 - (b) shall take appropriate steps or cause such appropriate steps to be taken if interest or capital is not fully or timely received;

- (c) shall ensure that all investment documents and certificates are-
 - (i) properly secured in a fireproof safe with segregated control over the access to such safe, as determined by the Municipality's records manager;
 - (ii) or are otherwise lodged for safekeeping with the Municipality's bankers or attorneys.

Institutional arrangements

- Power to invest money of the Municipality
In terms of section 60(2) of the Local Government: Municipal Systems Act 2000, the power to invest cash revenues not immediately required for the Municipality's needs are delegated to the Chief financial Officer, provided that the Chief Financial Officer-
 - (a) shall investments for period longer than 12 months only in consultation with the Mayoral Committee;
 - (b) shall at all times comply with this policy and applicable legislation regarding investments; and
 - (c) may consult the Municipal Manager or an investment manager appointed in terms of par 10.2 before making an investment.

The power delegated to the Chief Financial Officer in terms of par 13.1.1 shall include all the powers reasonable necessary for, or incidental to, the effective exercise of that power, including the power to sign, execute and authenticate any documents in that regard.

- Policy review and amendment
The Municipal Manager shall annually, together with the preparation of the annual budget, review this policy and submit a report and recommendations to the Mayoral Committee. The Mayoral Committee shall consider the Municipal Manager's report and recommendations and table it, together with its report and recommendation, with the annual budget in the Council.
- Powers of the Mayoral Committee and Municipal Manager regarding investments
The **Chief Financial Officer** shall submit such reports regarding the Municipality's investments, as the Mayoral Committee and the Municipal Manager may determine.

Investment ethics

- In making investments the Chief Financial Officer shall-
 - (a) at all times have only the best considerations of the Municipality in mind; and
 - (b) shall not accede to any influence by or interference from Councillors, investment agents or institutions or any other outside parties except for the outcome of any consultation with the Mayoral Committee.

The Chief Financial Officer shall disclose or declare in the appropriate register the gift, reward or favour to the value exceeding R300-00 as 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.

Investments for the redemption of long-term liabilities

- 6.1 In managing the Municipality's the Chief Financial Officer shall ensure that , whenever a long-term (non-annuity) loan is raised by the Municipality, an amount is invested at least annually equal to the principal sum divided by the period of the loan. Such investment shall be made against the bank account maintained for the external finance fund and shall be accumulated and used only for the redemption of such loan on due date. The making of such investment shall be approved by the Council at the time that the loan itself is approved. If the loan raised is not a fixed term loan, but an annuity loan, the Chief Financial Officer shall ensure that sufficient resources are available in the account maintained for the external finance fund to repay the principal amounts due in respect of such loan on the respective due dates.

Interest on Investments

- 6.2 The Interest accrued on all the Municipality's investments shall, in compliance with the requirements of generally accepted municipal accounting practice (GAMAP)/ generally recognized accounting practiced (GRAP), be recorded in the first instance in the Municipality's operating account as ordinary operating revenues.
- 6.3 In the case of the external loans fund, the Chief Financial Officer may reduce the amount which must be annually invested to redeem any particular loan by the amount of interest so crued. If the accrual of interest to the external loans fund, unutilized capital receipts and trust funds results in a surplus standing to the account of any such funds, i.e., an amount surplus to the resources required in respect of such funds or accounts, the Chief Financial Officer shall credit such surplus amount to the appropriation account and re-appropriated to the asset financing reserve.

7. REPORTING AND MONITORING

Monthly Reporting

- The Municipal Manager must within 10 working days of the end of each month, as part of the section 71 report required by the Act, submit to the Executive Mayor a report on the cash and cash related transactions of Dr Pixley Ka Isaka Seme Local Municipality. This report will comply with generally recognized accounting practice and include:
 - A cash flow statement required by GRAP 2.

- A monthly cash flow forecast for the next 12 months in compliance with generally acceptable accounting standards.
- A daily cash flow forecast for the next month.

A report on the how this policy was implemented for the month and any issues arising.

Quarterly Reporting

- In addition to the monthly reporting requirements The Municipal Manager of Dr Pixley Ka Isaka Seme Local Municipality entity will comply with any quarterly reporting requirements specified by National Treasury.
- Annual Financial Statements
- The Annual Financial Statements must comply with the generally recognized accounting practice with particular reference to GRAP 2.
 - Ensure that the financial information is presented, classified and disclosed in accordance with the prescribed accounting framework for the financial statements, including:
 - Bank and cash must be correctly disclosed in the financial statements distinguishing between favourable and unfavourable balances, unless the balances can legally be set off against each other (a legal right to offset must exist). Therefore, there is a separate note in the AFS for bank overdrafts.
 - That bank and cash is disclosed as current assets in the Statement of financial performance (it is shown at its face value (cash book value), as this constitutes its amortised cost) (* Amortised cost is defined in IAS 39 as the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and minus any write-down for impairment or uncollectability)
 - The requirement of the Section 125 (2)(a) of the Municipal Finance Management Act (Act No 56 of 2003), that the notes to the financial statements must disclose in respect of each bank account held by the municipality during the financial year:
 - The name of the bank where the account is or was held;
 - Type of account; and
 - Year opening and year end balances in each of these bank accounts.

Ensure that cash book balances as at the beginning and the end of the financial year (current and comparative) is disclosed in the AFS, also indicating whether these balances were favourable or unfavourable.

- Cash is classified as financial instruments and therefore disclosure requirements for financial instruments should be adhered to – refer to GRAP 2 Section 1.10: Financial instruments, where these disclosure requirements are set out.

- Also refer to Section 1.16: Presentation of Financial Statements, for a more comprehensive discussion regarding the presentation and disclosure of Cash and cash equivalents in the Statement of Financial Position.

Annual Reporting

- Cash and Cash transactions must be included in the Annual Financial Statements in accordance with the requirements of standards specified by the Accounting Standards Board

8. APPROVAL OF POLICY AND DATE OF EFFECT

The Cash Management & Investment Policy of Dr Pixley Ka Isaka Seme Local Municipality shall come into effect on 1 July 2025.

M A NGCOBO
MUNICIPAL MANAGER

DATE