UGU DISTRICT MUNICIPALITY

Policy Custodian	**Budget and Treasury Office**
Policy Name	**Cash, Banking and Investment Policy**
Policy Number	**5/11/P**
Status **Date**	**Adopted** **2025/2026 FY**
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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 municipalities' investments; 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 Ugu District Municipality adopt the cash and investment management policy set out in this document.

1. INTRODUCTION

Section 13(1) and (2) of the Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003) requires that a municipality establish an appropriate and effective cash management and investment policy within which the municipality must (a) conduct its cash management and investments, and (b) invest money not immediately required, in accordance with any framework which may be prescribed. National Treasury has issued municipal investment regulations dated 1st April 2005 (Gazette no. 27431) which set out a framework within which all municipalities shall conduct their cash management and investments. This policy is consistent with the Act and the gazette.

2. DEFINITIONS

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act, has the same meaning as in that Act.

"Accounting Officer" means the Municipal Manager of Ugu District Municipality.

"Act" means the Local Government: Municipal Finance Management Act No. 56 of 2003, the Local Government: Municipal Systems Act No. 32 of 2000.

"Accounting Principles" mean stipulated guidelines to be followed.

"Acquisition" means acquiring goods or services through procurement policies.

"Agents" mean professional bodies appointed to execute a specific task on behalf of the Ugu District Municipality.

"Accounts" mean statement of moneys received.

"Assignee" means a person with a delegated authority.

"Bank" means an institution recognised by the Registrar of Banks.

"Bank Account" is the recognised statement of financial holdings on behalf of the municipality.

"Cash" means money, such as bank notes and coin, or cash equivalents.

"Chief Financial Officer" means a person employed by the Municipality in terms of section 57 of the Systems Act as the Chief Financial Officer of the Municipality, and includes any person to whom the Chief Financial Officer has delegated or sub-delegated a power, function or duty in accordance with the system of delegation developed by the Accounting Officer in terms of section 79 of the Municipal Finance Management Act and section 59 of the Systems Act;

"Constitution of the Republic of South Africa, Act No. 108 of 1996" means the Supreme Law of the Republic of South Africa.

"Cash Management" means efficient and effective management of funds.

"Delegate" means an official/person delegated to perform tasks on behalf of another person.

"Delegated Authority" means any person/persons/committee delegated with the authority to act for on behalf of Ugu District Municipality.

"Diversification of Investments" means investing in more, or more than one type of financial instrument.

"Investment Ethics" mean ethical framework within which investments must take place.

"Liquidity" means the ease with which financial instruments can be converted to cash or cash equivalents.

"Municipal Entity" means the developmental arm of the municipality established in terms of the Local Government: Municipal Finance Management Act No. 56 of 2003, in particular.

"Municipality" means the Ugu District Municipality.

"Ownership" means that all investments must be made in the name of the Ugu District Municipality.

"Short term investment" means a financial instrument with a lifespan or maturity of less than or equal to 1 year.

"Long term investment" means financial instrument with a lifespan or maturity of greater than a year.

3. OBJECTIVE OF THE POLICY

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. The objectives thereof are as listed below:

3.1 In terms of the Municipal Finance Management Act, 56 of 2003, Section 13(2): 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) of the Municipal Finance Management Act, 56 of 2003.

3.2 An Accounting Officer has an obligation to ensure that cash resources are managed as effectively, efficiently and economically as possible. Competitive investment and effective cash management ensures both short term and long-term viability and sustainability of the Municipality. Hence, it is critical for the Municipality to have its own cash, banking and investment management policy located within the local government legislative framework. This Policy should be read and understood against this background.

3.3 The primary and ultimate goal of investing 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 authorised instruments as per the Municipal Finance Management, Act 56 of 2003, Section 13(2)

4. PRESCRIPTIVE/LEGAL FRAMEWORK

Ugu District Municipality's Cash Management Policy has been developed with recognition of the macro and micro prescriptive context – within which it needs to comply, and policy imperatives of National and Provincial government; as indicated, but not limited to, below:

4.1 Ugu District Municipality's Integrated Development Plan.

4.1.1 The Cash & Investment Management Policy is in accordance with the requirements of section 13 of the Municipal Finance Management Act No 56 of 2003 and any further prescriptions made by the Minister of Finance.

4.1.2 Bank Account Administration: (Municipal Finance Management Act No. 56 of 2003– Section 7, 8, 9, 10, and 11)

4.1.3 The Local Government Municipal Systems Act, No 32 of 2000;

4.1.4 Municipal investment regulations 27431 Nr 8200 of April 2005.

4.1.5 Generally recognised accounting practices.

5 POLICY APPLICATION

The policy applies to all new and existing Cash and investments made by

5.1 Ugu District Municipality.

5.2 All investment managers acting on behalf of the Municipality in making or managing investments.

This policy shall also apply to all money and/or investments held by any bank or institution registered in terms of the bank act, at the effective date of this policy.

6 POLICY PRINCIPLES

6.1 KEY PRINCIPLES AND GUIDELINES PERTAINING TO CASH, BANKING AND INVESTMENT MANAGEMENT POLICY

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

6.1.1. That the Municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework.

6.1.2. 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.

6.1.3. That, in the case of investments, such investments are valued in accordance with GRAP guidelines and standards.

6.1.4. That the municipality has and maintains a system of internal control over its bank and investment accounts, receipting, withdrawals, cash management and investment transactions.

6.1.5 The internal control procedures are in place.

6.1.6. Controls deemed most important include:

6.1.6.1 Control of collusion, separation of duties

6.1.6.2 Custodial safekeeping

6.1.6.3 Clear delegation of duties

6.1.6.4 Written confirmation of telephonic transactions

6.1.6.5 Minimising the number of authorised investment officials

6.1.6.6 Checking and verification by senior officials of all investments, which include Accounting Officer and Chief Financial officer.

7 ROLES AND RESPONSIBILITIES

7.1 BANKING ARRANGEMNTS

7.1.1 Opening of a Bank Account

7.1.1.1 Bank accounts must be opened in line with the provisions of Municipal Finance Management Act No. 56 of 2003 Chapter 3 (Part 1), ensuring the following but not limited to the following:

7.1.1.1.1.1 Every municipality must open and maintain at least one bank account in the name of the municipality.

7.1.1.1.1.2 A municipality must have a Primary account.

7.1.2 The Chief Financial Officer will ensure that the Municipality opens and maintains the following minimum bank accounts:

7.1.2.1 General Bank Account – normal municipal receipts and payments

7.1.2.2 External Financing Fund – to record loan receipts and accumulations towards the repayment of such loans.

7.1.2.3 Capital Replacement reserve – this reserve must be cash backed and therefore requires a separate bank account.

7.1.2.4 Unutilized Capital Receipts – this is to account for unutilised conditional grant monies and developer contributions, requires a separate bank account and must be cash backed.

7.1.2.5 Consumer deposits – this is to account for consumer deposits received and must be cash backed and requires a separate bank account.

7.1.2.6 A specific account will be identified as a primary bank account and all the allocations from national, provincial and other spheres of government will be deposited into this account.

7.1.2.7 Group Life Account- This account is for restricted funds, held by the Municipality for Minor beneficiaries, nominated by employees to receive funds upon death. The Municipality received these funds from an Insurance Company and released to Minors once they reach a stipulated age.

7.1.3 <u>Management of a Bank Account</u>

Only the Accounting Officer or his/her delegate is authorized to withdraw money from the Municipality's bank account and the delegated powers shall be in accordance with limits which will be specified by the Accounting Officer.

The responsibility for the management of all the Municipal bank accounts will be allocated by the Chief Financial Officers to the officials of the Treasury department in accordance with their job descriptions. The Chief Financial Officer or his/her delegate will review reconciliations of all the Municipal bank accounts on a monthly basis.

7.2 CASH MANAGEMENT

7.2.1 All monies received by the Municipality must be deposited into the Municipal primary bank account promptly.

The Chief Financial Officer will establish an internal control procedure for the operation and maintenance of the following process with regards to cash management:

7.2.1.1 Receipting, and banking of and reconciliations of daily cash

7.2.1.2 Unallocated receipts/deposit registers

7.2.2 The Chief Financial Officer, inter-alia, has to ensure financial viability and sustainability of the Municipality. In order to achieve this in a sustainable manner, the Chief Financial Officer must ensure that internal financial systems and controls are in place that will enable the Municipality to detect the mismanagement of funds.

7.3 Cash Collection:

7.3.1 All monies due to the Municipality must be collected as soon as possible, either on or immediately after due date, 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 larger amounts to ensure that these are banked on the next working day they are received.

7.3.2 All monies collected by the Council must be banked in the primary bank account of the Municipality.

7.3.3 The respective responsibilities of the Chief Financial Officer and other Heads of Departments in this regard are defined in a procedure's manual approved by the Municipal Manager and the Chief Financial Officer.

7.3.4 It is important that all monies owing to the Council are correctly reflected in the debtors' system. The following control measures are necessary:

7.3.4.1 A well-managed debtors and banking control system will ensure that funds owed to the Council are received and banked; and

7.3.4.2 It is also important to review debt collection performance by comparing the debtors outstanding in relation to total revenue and then comparing this to previous financial years, in order to determine whether the debt collection process is deteriorating or improving.

7.3.5 The unremittent support of and commitment to the Municipality's Cash, Banking & Investment Management Policy, both by the Council and the Municipality's officials, is an integral part of proper cash collections, and by approving the present Policy the Council pledges itself to such support and commitment.

7.3.6 The municipality shall follow the guidelines as outlined on its Receipting and Banking standard operating procedures, which are binding to all officials. Annexure B

7.4 UNALLOCATED RECEIPTS

All unclaimed and unidentified deposits older than three (3) years shall be publicized in a local newspaper on an annual basis and if unclaimed within the specified time frame, such monies will be transferred to sundry income.

7.5 PAYMENT OF CREDITORS

7.5.1 Should the facility be available, payments should be done by electronic transfer (subject to strict controls).

7.5.2 When considering the time to pay a creditor, proper consideration must be given to the conditions of credit terms of payment offered.

If discounts are offered for early settlement, they must be properly considered and utilised.

7.5.3 Besides this, the normal conditions of credit terms of payment offered by suppliers, must also be considered and utilized to the full by paying on the due date and not earlier, provided that no worthwhile discount is available or offered.

7.5.4 Internal Payment Process Control must be adhered to when payments are made to Creditors (updated Annexure A)

7.6 CASH FLOW ESTIMATES AND INVESTMENTS

7.6.1 Before money can be invested, the Accounting Officer or his/her delegate must determine whether there will be surplus funds after meeting the necessary obligations.

7.6.2 To be able to make investments for any fixed terms; it is essential that cash flow estimates are prepared.

7.7 INVESTMENT ETHICS

7.7.1 The Accounting Officer and his/her delegate are responsible for the investment of funds and must ensure that there is no interference in these processes.

7.7.2 Under no circumstances may the Accounting Officer and his/her delegate accept bribes into making an investment.

7.7.3 No member of staff may accept any gift unless that gift can be deemed so small that it would not have an influence on his/her relationship with the said institution.

7.7.4 The gift must be declared to the Municipality.

7.7.5 The Accounting Officer and his/her delegate must act according to their discretion and must report any serious cases of payment in kind or gifts, to the Municipal Council. Excessive gifts and hospitality should be avoided at all costs.

7.7.6 The Auditor-General requires the financial institution, where the investment is made, to issue a certificate for each investment made. This certificate must state that no commission has, nor will, be paid to any agent or third party, or to any person nominated by the agent or third party.

7.8 INVESTMENT PRINCIPLES

7.8.1 Risk management

The preservation of principal is the foremost objective of the investment program. To attain this objective, diversification is required to ensure that the Accounting Officer or his/her nominee prudently manages risk exposure. Risk profiles should be minimized by only placing investments with institutions and instruments approved by the Public Investment Commission or the Republic of South Africa: National Minister of Finance.

7.8.2 Prudence

Investments shall be made with care, skill, prudence and diligence. The approach must be that a prudent person acting in a like capacity and familiar with investment matters would use in the investment of funds of like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Municipality. Investment officials are required to:

7.8.2.1 Adhere to written procedures and policy guidelines.

7.8.2.2 Exercise due diligence.

7.8.2.3 Prepare all reports timeously.

7.8.2.4 Exercise strict compliance with all legislation.

7.8.3 Ownership

All investments must be made in the name of the Ugu District Municipality.

7.8.4 Risk exposure and Return

7.8.4.1 Although the objective of the Accounting Officer and/ 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 in regard, to both the financial institution and the investment instrument concerned.

7.8.4.2 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 Investment Regulations Gazette 27431 1 April 2005).

7.8.4.3 The Chief Financial Officer or the Cash management Manager must ensure that available money is not invested with one institution. Investment will be restricted to institutions with a minimal credit risk as rated by a reputable credit rating institution as stipulated by the Municipal regulations.

7.8.4.4 The Municipality may not invest more than 50% of its total investments at any time with one banking institution in order to limit the risk exposure of the Municipality.

7.9 INVESTMENT PROCEDURE

7.9.1 After determining whether there is cash available for investment and fixing the maximum term of investment, the Municipal Manager must consider the way in which the investment is to be made.

7.9.2 Short-term Investment

7.9.2.1 The term of investment shall not be more than 12 months.

7.9.2.2 Quotations must be obtained from a minimum of three financial institutions, for the term of which the funds will be invested.

7.9.3 Long-term investment

7.9.3.1 Written quotations must be obtained for investments made for periods longer than twelve months.

7.9.3.2 The prior approval of the Council must be obtained for all investments made for periods longer than twelve months after considering the cash requirement for the next three years.

7.9.4 Investing Procedure and Process

7.9.4.1 In the event that an investment needs to be made, quotations are required from at least three registered financial institutions. A request is issued via email to all approved and listed Financial Institutions to provide the Municipality with quotations for interest to be earned for the amount of funds, and for the term which the investment is to be placed. The following information is required:

7.9.4.1.1 The name of the Institution

7.9.4.1.2 The name of the person, who gave the quotation,

7.9.4.1.3 The relevant terms and rates and

7.9.4.1.4 Other facts such as if interest is payable on a monthly basis or on a compound basis upon maturation.

7.9.4.2 Quotations can be obtained through email, if there is a lapse of time, confirmation is required as rates generally change on a regular basis and time is a determining factor when investments are made.

7.9.4.3 The interest rates from three Financial Institutions with the highest rates are tabulated on a call notice rate schedule and with the respective schedules depicting the name of the Financial Institution, their contact person who provided the quote and the terms and interest quoted.

7.9.4.4 The decision is then made based on the best rates offered, as well as the credit rating of the Financial Institution with whom the investment is to be placed. The best quote is accepted, taking into account the Investment principles and risk exposure limits contained in this policy and the Municipal investment regulations 27431 Nr 8200 of April 2005 – Nr 5 (a)

7.9.4.5 The criteria applied by the investment officials in placing funds:-

7.9.4.5.1 Cash requirements of Ugu District Municipality

7.9.4.5.2 Quoted rates.

7.9.4.5.3 Risks involved given existing exposure of individual Banks.

7.9.4.5.4 Imminent changes in interest rates

7.9.4.6 No attempts must be made to make institutions compete with each other.

7.9.4.7 All investment documents must be signed by two authorised cheque signatories.

7.9.4.8 The Chief Financial Officer must ensure that 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:

7.9.4.8.1 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

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

7.9.4.9 Promptly disclose information of any possible or actual change in the investment portfolio, which could or will have a material adverse effect.

7.9.5 <u>Investment maturity</u>

7.9.5.1 Upon maturity of the investment the Municipality shall do one of the following:

7.9.5.1.1 Shall withdraw the whole amount invested.

7.9.5.1.2 Shall re-invest 100% interest plus the original amount that had been invested, in terms of the investment procedure, unless if Council wishes to utilise the original money or the interest.

7.9.5.1.3 Shall withdraw the interest and re-invest the original capital amount.

7.9.6 Early withdrawal of invested funds

7.9.6.1 When investing the funds with the banking institutions the Chief Financial Officer shall ensure that such funds are not withdrawn earlier than the maturity date agreed upon, by so doing the Municipality will not incur fruitless and wasteful expenditures in form of penalties resulting from early withdrawal of investments.

7.9.6.2 The Chief Financial Officer shall only withdraw funds if:

7.9.6.2.1 the banking institution concerned has agreed to exempt any penalties due to early withdrawal of investment or;

7.9.6.2.2 the Accounting Officer may grant approval to withdraw the invested funds after he/she has satisfied himself/herself that the urgency was unforeseeable at the time when funds were invested and that the need for funds far outweighs the penalties being paid for such early withdrawal.

7.9.7 DELEGATION OF AUTHORITY

7.9.7.1 The delegation to authorise investments must distinguish between short term & long-term investments. The authority to make long-term investments as provision of security, is vested with the Municipal Council in terms of Section 48 of the Municipal Finance Management Act No. 56 of 2003 and with reference to section 11(1) (h) of the Municipal Finance Management Act No. 56 of 2003 dealing with cash management, the responsibility to make short investments lies with the Accounting Officer or Chief Financial Officer or any other senior financial officer authorised by either the Accounting Officer or the Chief Financial Officer/ relevant assignee.

7.9.7.2 The Local Government Municipal Systems Act of 2000, Section 3, (60) (2) states that the Municipal Council may only delegate to an Accounting Officer, Executive Committee, Mayor or Chief Financial Officer decisions to make investments on behalf of the municipality within a policy framework determined by the Minister of Finance.

7.9.7.3 The Chief Financial Officer is responsible for the investment of municipality's funds that are made under section 13 of the Municipal Finance Management Act.

7.10 INVESTMENTS INTERNAL CONTROLS

7.10.1 An investment register compliant to the generally recognised accounting practices, as prescribed in the investment regulations, shall be kept by the Municipality.

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7.10.2 The investment register and accounting records must be reconciled on a monthly basis by the Accountant Cash Planning, Monitoring and Reporting.

7.10.3 The investment register must be examined on a fortnightly basis by the Manager: Cash Management under the direction of the Chief Financial Officer/ assignee as instructed, to identify investments falling due within the next two weeks. An investment plan must then be established for the next calendar month bearing in mind the cash flow requirements.

7.10.4 Interest, correctly calculated, must be received timeously, together with any distributable capital. The Chief Financial Officer or his/her assignee must check that the interest is calculated correctly, in terms of sound universally accepted financial management practices.

7.10.5 Investment documents and certificates must be safeguarded in a fire resistant safe, with dual custody. The following documents must be safeguarded:

1. Fixed deposit letter or investment certificate.
2. Receipt for capital invested.
3. Copy of electronic transfer.
4. Schedule of comparative investment figures.
5. Commission certificate indicating no commission was paid on the investment; and
6. Interest rate quoted.

7.10.6 All investment must be denominated in South African Rand (ZAR)

7.10.7 The Chief Financial Officer or his/her assignee is responsible for ensuring that the invested funds have been invested with registered financial institutions approved by the Republic of South Africa: National Minister of Finance, Public Investors Commission or with a bank rating of AA and endeavour to minimise risk exposure.

7.11 REPORTING AND MONITORING PROCEDURES

7.11.1 The Accounting Officer must within 10 days of the end of each month submit to the Mayor, Council and Budget, Monitoring and reporting office a report describing in detail the investment and cash flow position of the Municipality as at the end of the month.

7.11.2 The report must contain a statement, prepared in compliance with generally recognised accounting principles/generally accepted municipal accounting principles, that states the:

7.11.2.1 beginning market value for the period

7.11.2.2 additions and changes to the market value during the period

7.11.2.3 ending market value for the period

7.11.2.4 fully accrued interest/yield for the reporting period

7.11.2.5 the credit risk rating for the institutions whose securities are held by the Municipality as at beginning and end of the reporting period.

7.11.2.6 investments disposed of due to adverse changes in credit ratings.

7.11.2.7 diversification of investments

7.11.2.8 any investments locked into a time period with an institution that has a rating that is not acceptable according to Fitch, Naspers or CA-ratings.

7.12 PERMITTED INVESTMENTS AND RELATED PROCESSES

7.12.1 The Republic of South Africa: National Minister of Finance may identify by regulation in terms of Section 168 of the Municipal Finance Management Act instruments or investments other than those referred to below in which Municipality may invest:

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

7.12.1.2 Securities issued by the National Government.

7.12.1.3 Investments with the Public Investment Commissioners as contemplated by the Public Investment Commissions Act, 1984 (Act No. 5 of 1984);

7.12.1.4 Listed corporate bonds with an investment grade rating from a nationally or internationally recognized credit rating agency.

7.12.1.5 Deposits with the corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984.

7.12.1.6 Banker's acceptance certificates or negotiable certificates of deposits of banks registered in terms of the Banks Act, 1990.

7.12.1.7 Municipal Bonds issued by a Municipality.

7.12.1.8 Guaranteed endowment policies with the intention of establishing a sinking fund; and

7.12.1.9 Repurchase agreements with banks registered in terms of the Banks Act, 1990

7.12.2 The list of approved institutions that the municipality currently invests in, based on the credit worthiness and ratings as stipulated on Investment Regulations:

Standard bank
First National Bank
Nedbank
ABSA
Investec

7.12.3 Credit ratings are obtained annually, and standard care is exercised through consistent reviews of the credit worthiness of the listed banks.

7.13 **EXISTING INVESTMENTS**

Current investments that were not permitted investments at the time of purchase do not have to be liquidated.

7.14 PERFORMANCE EVALUATION OF THE INVESTMENT PORTFOLIO

7.14.1 The performance of the investment portfolio must be evaluated quarterly. The time weighted yield attributable to the investment portfolio must be calculated each quarter and compared with the prevailing returns available on securities issued by the National Government.

A report discussing the performance of the investment portfolio must be submitted to the Chief Financial Officer within 10 days of the end of each quarter.

7.15 USE OF INDEPENDENT INVESTMENT MANAGERS

Should the need arise to use an investment manager at any time, one will be appointed to use Supply Chain Management principles and practices.

8 MONITORING AND EVALUATION

8.1 This Policy shall be monitored and evaluated by the General Manager: Treasury and regular monitoring reports submitted to the Management Committee Meeting, Finance Portfolio Committee, Executive Committee and Full Council Meetings.

9 COMMENCEMENT OF THE POLICY

9.1 This Policy shall come into effect on the date of the adoption by the Ugu District Municipality Council.

10 AMENDMENT AND/OR ABOLITION

10.1 This policy may be amended or repealed by the Municipality through a Council Resolution.

11. COMPLIANCE AND ENFORCEMENT

11.1 Violation or non-compliance with this policy will give a just cause for disciplinary steps to be taken.

12 POLICY REVIEW

12.1 This Policy will be reviewed annually to ensure applicability and relevance.

Records of Approval

Meeting	Date	Resolution
Review 2021/2022		
Policy Review Committee	20 January 2022	Recommended to MANCO
MANCO	24 January 2022	Recommended to Portfolio Committee on Finance
Portfolio Committee on Finance	03 February 2022	Recommended to EXCO
EXCO	06 March 2022	Recommended to Council
Council	26 May 2022	Approved
Review 2022/2023		
Policy Review Committee	10 February 2023	Recommended to MANCO
MANCO	24 April 2023	Recommended to Portfolio Committee on Finance
Portfolio Committee on Finance	16 May 2023	Recommended to EXCO
EXCO	17 May 2023	Recommended to Council
Council	25 May 2023	Approved
Review 2023/2024		
Policy Review Committee	14 February 2024	Recommended to MANCO
MANCO	11 March 2024	Recommended to Portfolio Committee on Finance
Portfolio Committee on Finance	20 March 2024	Recommended to Exco
EXCO	20 March 2024	Recommended to Council
Council	23 May 2024	Approved
Review 2024/2025		
Policy Review Committee	18 February 2025	Recommended to MANCO
MANCO	19 May 2025	Recommended to Finance Portfolio Committee
Joint Portfolio Committee on Finance and EXCO	26 May 2025	Recommended to Council
Council	29 May 2025	Approved

Review 2025/2026

Policy Review Committee	Policy Review Committee	Policy Review Committee
MANCO	04 May 2026	Recommended to Portfolio Committee on Finance
Portfolio Committee on Finance	12 May 2026	Recommended to Exco
EXCO	20 May 2026	Recommended to Council
Council	28 May 2026	Approved

ANNEXURE A

Annexure A

CREDITORS PAYMENT PROCEDURES

UGU DISTRICT MUNICIPALITY

Contents

1. Legislative Requirement
2. What constitutes a legitimate and authentic invoice
3. Pre-requisites for processing payments
4. Frequency of payments and mode
5. Payment process
6. Responsibility for payment of service providers

1. LEGISLATIVE REQUIREMENTS

Municipal Finance Management Act No. 56 of 2003 S65 (1) (2) requires that the accounting officer of a municipality in executing his/her responsibility for the management of the expenditure of the municipality must for the purpose of subsection (1) take all reasonable steps to ensure, S2 (e) that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure;

2. WHAT CONSTITUTES A LEGITIMATE AUTHENTIC INVOICE

a) The invoice must be addressed to Ugu District Municipality.
b) In case of a supplier being a Vat vendor, a Tax Invoice is required.
c) The supplier VAT number must be appended on the invoice.
d) Invoice must display an invoice number.
e) Invoice must be dated i.e. date after the order date.
f) Ugu District Municipality VAT number must be appended on the invoice.
g) Invoice must display a Purchase Order Number.
h) Contents of an invoice must reflect or match that of the purchase order.
i) Invoice must be authorised by the General Manager, Manager or a delegate of the user department who receives the goods or services.
j) Alterations on an invoice cannot be accepted unless signed by the supplier or his/her representative.
k) The bank details of the supplier appear on the invoice / claim.

Any invoice which reaches creditors section lacking in any of the above requirements constitutes non-compliance and it shall with immediate effect be returned to the user department or supplier for rectification and resubmission.

Any disputes shall be referred to the Manager: Expenditure for resolution. If the matter is still not resolved, it shall be referred to the General Manager: Treasury.

3. PRE-REQUISITES FOR PROCESSING OF PAYMENTS

A. The creditors section shall receive the following in batches on a daily basis:

i. *Orders with corresponding requisitions from the SCM's purchasing section.*
ii. *The supplier's delivery note and the internal goods received note (GRN) from the stores section; and*
iii. *If the supplier forwards his invoice with the delivery note, the receiving official should stamp it and forward it to the creditors section.*

B. All invoices received by the Creditors Section must be date stamped.

C. Each supplier invoice must be matched with a properly approved requisition and purchase order.
D. The invoice must then be matched to the delivery note. The description of the goods, the quantity supplied and the signature of the authorized person receiving the goods must be confirmed.
E. The creditors section is responsible for checking the adequacy and completeness of documents received from the SCM purchasing and stores sections.

F. If the invoice relates to a service that was supplied, the official that requested the service should sign the invoice to indicate that the service was received.

G. An initial, progress or final payment in terms of a contract or agreement shall not be considered unless it is accompanied by a voucher which meets the following requirements: -

   1. Disclose the total amount payable in terms of the contract.
   2. Disclose the total amount of all previous payments in terms of the contract.
   3. Disclose the total payment to date, including the payment being made as reflected in the voucher.
   4. Disclose the balance due; and
   5. Be supported by a certificate from a duly authorized official responsible for the management of the contract, that the supplier is entitled to the payment in terms of the contract and the **work has been properly** performed and
   6. A letter of appointment of the service provider signed by the Accounting Officer or duly authorised General Manager.

4. FREQUENCY OF PAYMENTS AND MODE

A. All payments must be effected electronic transfer. Apart from petty cash, no payments should be made in cash.

B. All payments must be made bi-monthly, and, only under exceptional circumstances, as determined by the Chief Financial Officer, should a payment be made outside of these intervals.

C. All payments must be made within 30 days of receiving an invoice or statement. 30 days of receiving the relevant invoice or statement means “from the date in which it was received by creditors section” where it is ready for processing i.e. every other aspect is without queries.
In case of queries, 30 days of receiving the relevant invoice or statement will only apply from the date of resubmission to creditors section.

In the event that payment is not made in 30 days, a process of engaging a supplier and /or an arrangement process should be followed.

5. PAYMENT PROCESS

A. Creditors Section receives the invoice from the Service Provider, then sends user Department for confirmation and authorisation.
B. Upon receipt of authorised invoice, match the invoice with an approved purchase order received from SCM.
C. Invoices are then sent to Data Captures for capturing on the financial system, using the Purchasing order.
D. Accountant Expenditure then verifies the capturing in line with the Expenditure checklist (Annexure A).
E. Manager Expenditure runs an updated Age Analysis, for compiling a list of Payments to be paid.
F. Confirmation of Banking details.
G. Payment Journal is then generated, verified, and approved by Manager: Grants and Expenditure.
H. The same Payment Journal and Payment file are then electronically sent to Cash Management to effect payment.

i. Electronic Transfer payments

A. The creditors' section must prepare the electronic transfer funds (EFT) for those suppliers that are paid for electronically.
B. The Municipal Manager and/or the Chief Financial Officer or an approved delegated Manager must insert passwords to affect the electronic funds transfer after reconciling it to the relevant supporting documents.
C. The Chief Financial Officer must stamp up the supporting documentation as paid.

ii. Debit Order payments

H. In certain circumstances, the Municipality may have entered into agreements requiring payment by debit order. These arrangements must be authorised by the Chief Financial Officer and/or the Municipal Manager.

D. The Equity and Accounts section should prepare a schedule of all debit orders that were processed in any respective month. This schedule must form part of the monthly bank reconciliation. This schedule should be forwarded to the creditors section.
E. The creditors' section will be responsible for providing documentation to support the validity of these deductions.
F. The schedule accompanied by supporting documentation should be submitted to the Chief Financial Officer to satisfy himself/herself that these are in order.
G. The Chief Financial Officer signs this schedule as evidence that he/she has inspected the supporting documentation and is satisfied as to the validity of the deduction.
H. If any deduction is disputed by the Chief Financial Officer, then it will be referred to the creditors section, who will be responsible for following up on all queries with regard to payments.
I. The creditors section is responsible for maintaining all documentation relating to creditor payments.

J. The monthly reconciliation of the creditor's statement to the accounting records maintained by the Municipality must be performed by the creditors section.

6. RESPONSIBILITY FOR PAYMENT OF SERVICE PROVIDERS

A. Though in terms of the legislation the Accounting Officer is accountable for expenditure, departmental heads and section managers are equally responsible as per delegations register.

B. Managers should take full responsibility for the payment of service providers for services rendered or goods delivered in favor of their departments / sections. Failure to observe doing the above may result in the guilty party having to reimburse the municipality for fruitless and wasteful expenditure in the form of interests and penalties incurred due to late payment/s.

C. The recovery of Fruitless and Wasteful expenditure incurred due to late payments will be done in accordance with the procedure on Unauthorized, Irregular, Fruitless and Wasteful Expenditure.

ANNEXURE B

UGU DISTRICT MUNICIPALITY

RECEIPTING AND BANKING

STANDARD OPERATING PROCEDURE

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1.1. Overview

Ugu District Municipality has developed its cash handling standard operating procedure to include activities at all departments at which municipality business is conducted. This in recognizing its community orientation; and the need for good governance. The cash handling policy is a transparent and codified internal control system.

aimed at promoting its core District Objectives to ensure that the limited resources at the disposal of Ugu District Municipality will be focused towards serving the various stakeholders in the pursuit of their interactions.

with Ugu District Municipality both efficiently and congruent to approved budgets and broader financial policies of Ugu District Municipality, whilst minimizing the temptation of misuse of municipality funds.

"Cash" is defined in this context as coin, currency, and credit card transactions but excludes the management of activities funded by staff collected cash, such as social events. The policy is applicable to all.

Ugu District Municipality staff are entrusted with the receipt, deposit, or reconciliation of cash in any form on behalf of the municipality related activities. It seeks to institute the necessary control measures to

facilitate the daily activity of the municipality by providing:

i. A guideline for all stakeholders as to what is required for cash.

based transactions.

ii. An internal dynamic document detailing the processes required for the

efficient discharge of duties for cash handling relative to financial controls necessary to ensure the efficient administration of the

Ugu District Municipality budgets.

1.2 Purpose

The cash handling procedure seeks to institute the necessary control measures to facilitate the daily activity of the municipality by providing:

1.2.1 A guideline for all stakeholders as to what is required for cash-based transactions.

1.2.2 An internal dynamic document detailing the processes required for the efficient discharge of duties for cash handling relative to financial controls.
necessary to ensure the efficient administration of the Ugu District Municipality budgets.

It furthermore serves to assist management, employees and all other stakeholders of the Ugu District Municipality to implement and maintain consistent, effective and efficient cash handling principles thereby contributing to the early detection and prevention of fraudulent activity.

1.3 Objective

To ensure procedures and internal controls are in place to prevent the mishandling of Municipality funds and safeguard and protect employees from inappropriate charges of mishandling funds, by defining their responsibilities in the cash handling process by:

1.3.1 Infusing business processes into internal control which complies with all legislation and statutory requirements.
1.3.2 Safeguarding cash resources and optimising cash flow via effective, efficient and economical use of the Ugu District Municipality cash resources.
1.3.3 Driving a culture of accountability over Ugu District Municipality's cash by skilling staff and stakeholders alike.
1.3.4 Verification of the validity of receipts and payments and ensuring that accurate and completeness of recording of receipts and payments occur.

1.3.5 Provide a means of communication aimed at service delivery for communities, businesses, and vendors.
1.3.6 Instil an awareness of special precautions is required when handling the more exchangeable forms of money, like cash and uncrossed cheques.
1.3.7 Ensure that staff assigned cash handling responsibilities should be appropriately trained and be aware of relevant policies and procedures.

1.3.8 Communicate to all staff that any monetary loss as a result of noncompliance with this policy is deemed to be gross negligence and could be cause for disciplinary action.

1.4 Business Process Framework

1.4.1 Legislative Framework

1.4.1.1 The ***Municipal Systems Act (No. 32 of 2000),***

1.4.1.2 Municipal Finance Management Act (No. 56 of 2003), the ***King II Code on Corporate Governance in South Africa (2002)***

1.4.1.3 and other applicable legislation informs and seeks to regulate the functioning of cash.

handling so as to lead to the early detection of irregular and unauthorised, activity, and allow for reporting thereof in terms of the Code of conduct for Councilors and Municipal Staff Members.

1.4.2 Accounting Framework

The responsibility of cash handling lies with the Chief Financial Officer, or delegated official, who must ensure that reasonable controls exist to support the implementation of policies. In delegating this function to subordinates, it does not alleviate the responsibility of the Chief Financial Officer. The Head of Department must ensure all policies and procedures are communicated to and implemented by the individual responsible.

2. PROCESSES AND PROCEDURES

2.1 Cash Handling Function

Cash handling is an integral part of revenue collection. Due to the ease of recycling into the

Commercial arena, any organization's accounting system needs to implement strict measures of internal control for cash related transactions.

Generally, there are a large number of business units in a typical municipality, and in the pursuit of its core function of service delivery, payment for goods and services are a necessary consequence. Ugu District Municipality thus must regulate and streamline receipting, depositing and reconciliation.

via effective and efficient records and controls that allows for the processing of

all cash transactions.

2.1.1 General guidelines on safeguarding

2.1.1.1 Cash must not be sent through the internal mail.

2.1.1.2 The cash on hand should be "spot-checked" periodically.

2.1.1.3 Loss control officer/ Security Services must be notified promptly of any losses due to theft.

2.1.1.4 The Internal Audit should be notified if misappropriation by an employee is suspected.

2.1.1.5 If necessary, insurance cover must be obtained, and excesses set on claims.

2.1.2 Cash Handling

Cash handling is deemed to have the following major functions:

2.1.2.1 Collecting and receipting.

2.1.2.2 Depositing and banking.

2.1.2.3 Reconciling and monitoring.

2.2 Collecting and Receipting (Cashier, Cashier Supervisor Processes and Procedures)

The following guidelines are applicable to all staff in charge with the collection and receipting of cash **Main Offices**

2.2.1.1 Tilling of speed point printouts to check whether its balancing or not.

2.2.1.2 Cashier to make sure the amount reflecting in that printout balances, debit card/credit cards amount corresponds with balance at a dot.

2.2.1.3 The cashier must ensure that they are in possession of a float and should ensure that the receipting of the previous day is cleared.

2.2.1.4 Signing on to the receipting system that is used by the municipality (POS) following all the procedures before reaching the receipting screen.

2.2.1.5 The cashier receipts payments in the form of cash, debit and credit cards from direct customers, direct deposit (money paid to the Municipal bank account) and posted cheques which comes through the municipal post.

2.3 Depositing and banking

All cash received must be recorded. Depending on the volume and amount of cash received, this may be done by issuing prenumbered receipts to the customer, or by recording the transaction using any method established or approved by the Manager (e.g. in a book).

2.3.1 For each receipt at least the date, customer, service/product, amount must be recorded.

2.3.2 where there is refund, the cashier must request a refund form from the cashier supervisor which will be signed by the customer, a cashier, and the cashier supervisor.

2.3.3 If there is a cancellation, the cashier will fill in the cancellation form and hand it to the supervisor for cancelation and authorization. In case of Satellite offices, an email to be forwarded to Supervisor requesting cancellation.

2.3.4 All refund and cancellation forms must be attached on balancing sheets.

2.3.5 In case of a change dispute, the cashier must call the supervisor immediately and must not move from the drawer until the supervisor arrives.

2.3.6 A daily balancing of each cashier is being done by cashiers themselves and call Cashier Supervisor if not balancing.

2.3.7 Cash collected should be counted and balanced to the cash recorded at the end of the day.

2.3.8 In case of the cash doesn’t balance, the supervisor should report the matter daily to the delegate officer (accountant income)

2.3.9 In case a cashier has a shortage that money must be paid immediately or must be paid on the following day before “the company” collects the money to be banked

2.3.10 In case of a surplus that must be noted and receipted on a vote number and the supervisor is also involved for the records.

2.3.11 Appropriate disciplinary action should be taken against any employee who encored cash shortages.

2.3.1.1 The following guidelines are applicable for all staff in charge of the

collection and receipting of cash Satellites Offices.

2.3.1.1.1 Pre-printed numbered manual receipting books which are three carbonised pages are used at the Satellites office for receipting.
2.3.1.1.2 Cashier Supervisor will issue the pre-numbered books to Cashier per office, and they must both sign the manual receipting books.
2.3.1.1.3 The unused books should be kept in a safe place under the control of Cashier Supervisor or Accountant Income other than those involved in the collecting and receipting of cash.
2.3.1.1.4 Cashier will fill in all the information for customer when receiving and receipting the payments.
2.3.1.1.5 Cashier will issue the original receipt to the customer.
2.3.1.1.6 Then Roving Cashier or Cashier Supervisor will come and collect money from Cashier once a week by reconciling all payments on the receipting book.
2.3.1.1.7 She/he will fill in the Cash-up form and Cash-up control form if the totals are balancing then they will both sign as acknowledgment of cash collected.
2.3.1.1.8 The monies collected on the Satellites must receipted and banked within 24 hours.
2.3.1.1.9 The Roving Cashier/Cashier Supervisor will submit the Cash-up, manual receipts and computer receipts to the Accountant Income for signing off and filing.

2.4 Banking and Depositing (Cashier and Supervisor/ Accountant Income Processes and Procedures)

Cash must be deposited into an authorized Ugu District Municipality Account, as designated for the purpose of receiving cash by the Chief Financial Officer, who is the only designated municipal.

official who may open a bank account. The bank account utilised will be the primary bank account of the municipality and clearly designated in the name of Ugu District Municipality as per **MFMA** circular 55.

Cash handling to deposit timeframes are as follows:

2.4.1 All cash collected must be counted by the cashier according to the dominations on the deposit slip and balancing sheets and confirmed by Cashier Supervisor

2.4.2 The money must be sealed by the supervisor in a stop loss bag.

2.4.3 Enclosed should be a deposit slips for cash and cheques with its reference amounts I cash plus cheques, thereafter the stop loss bag must be sealed, and seal number recorded in the stop loss bags register.

2.4.4 After sealing the stop loss bag, the Cashier and Cashier Supervisor must sign the Acknowledge of **Cash Receipt Register**.

2.4.5 Then money must be locked in a strong room by Cashier, Cashier Supervisor / Accountant Income.

2.4.6 The keys must be separated so that no one can have access to the safe without the presence of the other.

2.4.7 The strong room key is being kept by Cashier Supervisor/Accountant and safe must be kept by Cashier.

2.4.8 Cash must be deposited within a period of 24 hours of receipt thereof during a normal week.

2.4.9 In the event of a public holiday, within 48 hours of receipt thereof.

2.4.10 In the event of a weekend within 72 hours between the date of receipt and deposit date.

2.4.11 All deposit slips are to be pasted into a deposit register, which details the transactions it refers to, the date of deposit etc.

2.5 Reconciling and Monitoring (Cashier Supervisor and Accountant Income Processes and Procedures)

Early detection of fraudulent activity will be enhanced through. Adherence to the following:

2.5.1 The following working day, the supervisor must receive the envelop back from the bank, ensure there are no alterations made on the amount banked.

2.5.1.2 The returned stamped deposit slips should also be recorded and be attached to the cash balancing sheet.
2.5.1.3 Receipts and deposits must be reconciled, at least on a weekly basis.
2.5.1.4 The person responsible for the reconciliation function must review /check the accuracy of records on a regular basis, including that the totals receipted and deposited agree.
2.5.1.5 The cash deposits listed in the monthly financial (fund) reports should be reconciled to the department's records of cash collections.
2.5.1.6 Such reconciliation is to be cross referenced with the primary bank account statements.
2.5.1.7 Adequate separation of duties must exist for cash collecting, depositing, and reconciling. [In smaller departments the handling of cash should be separated from the reconciliation.
2.5.1.8 Voided cash receipts should be reviewed on a regular basis.
2.5.1.9 A third party not involved in the cash handling process should authorize.
and monitor the process at regular intervals.

2.6 Amendment and Review of the Standard operating Procedures

The Cash Handling Policy shall be reviewed annually and/or at the discretion of the CFO due to changing circumstances as a result of the legislation or otherwise.