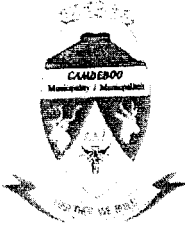


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# Munisipaliteit Camdeboo Municipality



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## Resolution

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Item Number: FIN-190/06      Meeting Date: 12/4/2006      File: 5/10/B  
**INVESTMENT POLICY: CAMDEBOO MUNICIPALITY: 5/10/B (APPROVED & ADOPTED)**

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FIN-190/06

INVESTMENT POLICY: CAMDEBOO MUNICIPALITY: 5/10/B

At the Ordinary Council meeting held on 21 September 2006, item **C134/06**, item **SCOUNCIL-163/06** it was resolved that the Policy be referred to the next Finance and Human Resources Committee meeting for further debating.

A copy of the abovementioned report from the Finance Manager is attached as ANNEXURE 10. (30929)

### RECOMMENDATION BY COMMITTEE

that the Investment Policy be adopted and accepted.

(FM)

This is to Certify that this is a true copy of the Original Resolution

Signed: .....

Date: .....

Print Date & Time: 2/6/2009  
9:09:53 AM

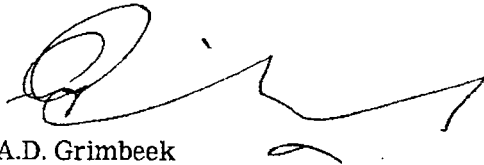
30929

To: Municipal Manager  
From: Finance Manager  
2 June 2005

Re : Investment Policy Camdeboo Municipality

Please find above mentioned policy that was established in terms of section 13 (2) of the Act.

This policy must be adopted by Council as a urgent item as the regulation took effect on 1 April 2005



A.D. Grimbeek



**1. Introduction**

- 1.1 The chief financial officer shall be responsible for investing the surplus revenues of the Municipality, in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance.
- 1.2 In making such investments the chief financial officer, shall at all times have only the best considerations of the municipality in mind and shall not accede to any influence by or interference from councillors, investment agents or institutions or any outside parties.
- 1.3 Neither The chief financial officer nor his representative may accept any gift, other than an item having such negligible value that it cannot possibly be construed as anything other than a token of goodwill by the donor, from any investment agent or institution or any party with which the municipality has made or may potentially make an investment.

**2. Objective**

The objective of the investment policy is to gain the highest possible return, without unnecessary risk, during periods when excess funds are not being used.

**3. Responsibility/Accountability**

- 3.1 The overall responsibility of investments lies with the Municipal Manager. However the day to day handling of investments is the Chief Financial Officer's or his/her delegate's responsibility.
- 3.2 In the instance that the chief financial officer authorizes the investment, both he/she and the counter signatories must authorize and effect the electronic funds transfer in respect of the investment amount.
- 3.3 Where payments to financial institutions in respect of investments are to be effected by cheque, the following procedures must apply:
  - The Chief Financial Officer's clerk must complete a cheque requisition form and submit it to the Chief Financial Officer together with the supporting quotations;
  - The Chief Financial Officer must authorize the investment.
  - When the chief financial officer has authorized the investment, the chief financial officer and counter signatories are required to sign the cheque and submit it to the financial institution.
- 3.4 All investment documents will require two signatories, namely the Chief Financial Officer or his delegated signatories and the counter signatories. Specimen signatures must be signed at all financial institutions that the

municipality deals with.

- 3.5 The Chief Financial Officer must ensure that a bank, which at the end of a financial year holds, or at any time during a financial year held, an investment for the municipality must -
- 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
  - Promptly disclose information regarding the investment when so requested by the National Treasury or the Auditor-General.

#### **4. Investments**

##### **4.1 Legal Requirements**

4.1.1 The way in which surplus funds and other municipal funds can be invested, is controlled in terms of legislation:

- GAMAP 106;
- Local Authorities Ordinance Section 125 of 1974;
- MFMA

4.1.2 The Minister may with the concurrence of the Minister of Finance by notice in the Gazette determine instruments or investments other than those referred to below in which a municipality may invest (Local Government Transition Act No. 209 of 1993, section 9, paragraph (b)):

- Deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);
- Securities issued by the National Government;
- Investments with the Public Investment Commissioners as contemplated by the Public Deposits Act, 1984 (Act No. 46 of 1984);
- A municipality's own stock or similar type of debt;
- Internal funds of a municipality which have been established in terms of a law to pool money available to the municipality and to employ such money for the granting of loans or advances to departments within a municipality, to finance capital expenditure;
- Bankers acceptance certificates or negotiable certificates of deposits of banks;
- Long term securities offered by insurance companies in order to meet the redemption fund requirements of municipalities; and
- Any other instruments or investments in which a municipality was under a law permitted to invest before the commencement of the Local Government Transition Act, 1996: Provided that such instruments shall not extend beyond the date of maturity or redemption thereof.

## **5. Policy Statement Camdeboo Municipality**

Deposits will only be made with banks registered in terms of the Banks Act ,1990 (Act No 94 of 1990) which have fully operational branches in Graaff Reinet

## **6. Cash Flow Estimates**

- 6.1 Before money can be invested, the Chief Financial Officer or his/her Delegate must determine whether there will be surplus funds available during the term of the investment. He/she must fix the term of the investment.
- 6.2 In order to be able to make investments for any fixed term, it is essential that cash flow estimates be drawn up.
- 6.3 When drawing up cash flow estimates, it is essential that the Chief Financial Officer or his/her Delegate take note of the following:
  - Be aware of the expected cash flow and when it is likely to take place, as well as the timing with regard to cash outflow, as far as both the operating and the capital budgets are concerned;
  - By utilising the available information and expertise, the Chief Financial Officer or his/her Delegate must assess the timing with regard to when, for how long and the amount to be invested; and
  - Daily cash flow estimates must provide for daily call investments and investment withdrawals, whereas long-term investments must be based on projections further into the future.
- 6.4 Investments depending on the rate will only be made for the following periods, viz.
  - 30 days
  - 60days
  - 90days
  - or six months
- 6.5 Interest rates offered should never be divulged to another institution.

## **7. Miscellaneous Provisions**

- 7.1 The responsibility and risk arising from any investment transaction vest in the Municipality.
- 7.2 All investments made must be in the name of the Camdeboo Municipality.
- 7.3 The Municipality may not borrow money for the purpose of investment.

#### 7.4 Registered Financial Institutions

If the Chief Financial Officer or his/her Delegate invests with financial institutions, he/she must ensure that such institutions are registered in terms of the Banks Act 94 of 1990 and that they are approved financial institutions – as approved by the Reserve Bank, from time to time. An updated list of the approved financial institutions should be obtained from the Provincial Government. The current list of institutions is dated 1997.

#### 7.5 Standard of Care to be exercised when making investments

##### Investments by the Municipality

- (a)— must be made with such judgment and care ,under the prevailing circumstances, as a person of prudence ,discretion and intelligence would exercise in the management of that persons own affairs;
- (b) may not be made for speculation but must be genuine investment; and
- (c) must in the first instance be made with primary regard being to the probable safety of the investment,in the second instance to the liquidity needs of the municipality and lastly to the probable income derived from the investment.

### **8. General Investment Practice**

#### 8.1 General

After determining whether there is cash available for investment and fixing the maximum term of investment, the Chief Financial Officer or his/her Delegate must consider the way in which the investment is to be made. As rates can vary according to money market perceptions with regard to the terms of investment, quotations must be requested telephonically, within term limitations, and these must be set out on a schedule.

#### 8.2 Commission Certificate

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, or will, be paid to any agent or third party, or to any person nominated by the agent or third party.

#### 8.3 Reporting Requirements

- 8.3.1 The accounting officer of a Municipality 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

council a report describing in accordance with generally recognised accounting practice the investment portfolio of that municipality as at the end of the month.

8.3.2 A municipality must within 30 days after an investment with currency of 12 months or longer has been made, publish in a local newspaper in circulation within its area of jurisdiction, full details of any investments so made.

#### 8.4 Cash in the Bank

Where money is kept in current accounts, it would be possible to bargain for more beneficial rates with regard to deposits, for instance call deposits. Fixed term deposits can increase these rates.

The most important factor is that the cash in the current account must be kept to an absolute minimum.

#### 8.5 Creditworthiness

When investments are placed with smaller registered institutions, the Chief Financial Officer or his/her Delegate has to see to it that the municipality is not exposed to too much risk. He/she has to ensure that the creditworthiness and performance of the institution are to his/her satisfaction, before investing money in the institution. The Chief Financial Officer or his/her Delegate is entitled to information from which the creditworthiness of financial institutions can be determined. This must be obtained and analyzed annually.

### 9. Call Deposits and Fixed Deposits

9.1 Quotations should be obtained from a minimum of three financial institutions, bearing in mind the limits of the term for which it is intended to invest the funds. Should one of the institutions offer a better rate for a term, other than what the municipality had in mind, the other institutions which were approached, should also be asked to fix a rate for that long a term.

9.2 It is acceptable to ask for quotations telephonically, as rates can generally change on a regular basis and time is a determining factor when investments are made. The person responsible for requesting quotations from institutions must record the following:

9.2.1 Name of institution;

9.2.2 Name of person quoting rates;

9.2.3 Period of the investment;

9.2.4 Relevant terms; and

9.2.5 Other facts i.e. is interest payable monthly or on maturation date.

Once a quote has been accepted written confirmation of the details must be obtained from the financial institution.

- 9.3 Once the required number of quotes has been obtained, a decision must be taken regarding the best terms offered and the institution with which funds are going to be invested. The best offer must under normal circumstances be accepted, with thorough consideration of investment principles. No attempt must be made to make institutions compete with each other as far as their rates and terms are concerned.

If institutions have been asked for a quotation with regard to a specific package, the institution must be requested to give the best rate in their quotation. They must also be informed that, once the quotation has been given, no further bargaining or discussions will be entered into in that regard.

- 9.4 The above procedure must be followed for all investments.

- 9.5 The Chief Financial Officer or his/her Delegate must make sure that the investment document received is a genuine document, issued by an approved institution, and the investment capital must be paid over only to the institution with which it is to be invested and not to an agent.

## **10. Control Over Investments**

- 10.1 An investment register should be kept of all investments made. The following facts must be indicated:
- 10.1.1 Name of institution;
  - 10.1.2 Capital invested;
  - 10.1.3 Date invested;
  - 10.1.4 Interest rate; and
  - 10.1.5 Maturation date.

The investment register and accounting records must be reconciled on an annual basis.

- 10.2 The investment register must be examined on a fortnightly basis to identify investments falling due within the next two weeks. It must then be established as what to do with the funds bearing in mind the cash flow requirements.
- 10.3 Interest, correctly calculated, must be received timeously, together with any distributable capital. The Chief Financial Officer or his/her Delegate must check that the interest is calculated correctly.
- 10.4 Investment documents and certificates must be safeguarded in a fire resistant safe, with dual custody. The following documents must be safeguarded:



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- 10.4.1 Fixed deposit letter or investment certificate;
  - 10.4.2 Receipt for capital invested;
  - 10.4.3 Copy of electronic transfer or cheque requisition;
  - 10.4.4 Schedule of comparative investment figures;
  - 10.4.5 Commission certificate indicating no commission was paid on the investment; and
  - 10.4.6 Interest rate quoted.
- 10.5 The Chief Financial Officer or his/her Delegate is responsible for ensuring that the invested funds are secure and, should there be a measure of risk, that such risk be rated realistically.
- 10.6 This policy must be updated yearly as to ensure that it complies with the latest laws,