



HARRY GWALA DEVELOPMENT AGENCY (PTY) LTD
[REG. No: 2011/001221/07]

POLICY: BANKING AND INVESTMENT

Administrative Responsibility:	Chief Executive Officer
Implementing Department / Departmental Unit	Budget and Treasury

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“NON-EXECUTIVE DIRECTOR” shall mean a non-executive director of the Agency appointed in terms of section 93E of the Municipal Systems Act, 32 of 2000.

“SHAREHOLDER” shall mean the Harry Gwala District Municipality.

“INVESTMENTS” In relation to funds of a municipality, means; preserving those funds not immediately required for the defraying of expenses and invested at approved financial institutions a person appointed in terms of section 83 of the Municipality Structures Act, 1998 (Act 117 of 1998) as the head of municipality administration.

“PUBLIC FUNDS” All monies received by the municipality to perform the function allocated to them.

“TRANSFER” shifting of funds from one bank account to the another bank account.

“EFT” electronic fund transfer.

“FIXED DEPOSIT” In a Fixed Deposit, you put a lump sum in your bank for a fixed tenure at an agreed rate of interest

the month in which a particular service is rendered to or goods are received by the entity. This rule shall be departed from only where there are financial incentives for the entity to effect earlier payment, and any such departure shall be approved by the Chief Financial Officer before any payment is made.

In the case of small, micro and medium enterprises, where such a policy may cause financial hardship to the contractor, payment may be effected at the conclusion of the month during which the service is rendered or within fourteen days of the date of such service being rendered, whichever is the later. Any such early payment shall be approved by the Chief Financial Officer before any payment is made.

Notwithstanding the foregoing policy directives, the Chief Financial Officer shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if the Chief Financial Officer determines that there are financial incentives for the municipal entity to do so.

The Chief Financial Officer shall not ordinarily process payments, for accounts received, more than once in each calendar month, such processing to take place on or about the end of the month concerned. Wherever possible, payments shall be effected by means of electronic transfers rather than by cheques.

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.

4.3 Management of Inventory

Each head of department shall ensure that such department's inventory levels do not exceed normal operational requirements in the case of items which are not readily available from suppliers, and 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 be made available to the Chief Financial Officer for sale at a public auction or by other means of disposal, as provided for in the entity's supply chain management policy.

4.4 Cash Management Programme

The Chief Financial Officer shall prepare an annual estimate of the municipal entity's cash flows divided into calendar months and shall update this estimate on a weekly basis. The estimate shall indicate 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. Heads of departments shall in this regard furnish the Chief Financial Officer with all such information as is required, timeously and in the format indicated.

The Chief Financial Officer shall report to the executive committee and Board, as the case may be, on a monthly basis the cash flow estimate or revised estimate for such

average risk associated with investment institutions. Deposits shall be made only with registered deposit-taking institutions (see 5.4 below).

6.3 Payment of Commission

Every financial institution with which the municipal entity 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.

6.4 Call Deposits and Fixed Deposits

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, and shall record in an appropriate register the name of the institution, the name of the person contacted, and the relevant terms and rates offered by such institution, as well as any other information which may be relevant (for example, whether the interest is payable monthly or only on maturity, and so forth).

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).

Any monies paid over to the investing institution 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 the investment has been made, the Chief Financial Officer shall ensure that the municipal entity receives a properly documented receipt or certificate for such investment, issued by the institution concerned in the name of the municipal entity.

6.5 Restriction on Tenure of Investments

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

7 CONTROL OVER INVESTMENTS

The Chief Financial Officer shall ensure that proper records are kept of all investments made by the municipal entity. Such records shall indicate the date on which the investment is made, the institution with which the monies are invested, the amount of the investment, the interest rate applicable, and the maturity date. If the investment is liquidated at a date other than the maturity date, such date shall be indicated.

The Chief Financial Officer shall ensure that all interest and capital properly due to the municipal entity are timeously received and shall take appropriate steps or cause such appropriate steps to be taken if interest or capital is not fully or timeously received.

Electronic fund transfers include any monetary transaction which is initiated electronically and does not require the physical transfer of paper money between the two parties. This is an electronic payment delivery system that processes electronic credit and debit transactions, including direct transfers, direct deposits, direct disbursements (salaries, payment of creditors and any other payment), and any other direct charges or deposits made to the bank account.

The on-line system is used by employees with approved and delegated access authorisation.

10.1 Security and Segregation of duties:

10.1.1 Administrators

Administrator/s are required to set up and maintain User permissions and to set system parameters. The administrators will set up each user and define their levels of access to accounts, payment limits, ability to digitally sign a transaction, and the resetting of passwords.

HGDA has two Administrators (The Chief Financial Officer and the Chief Executive Officer Chief Executive Officer), one Administrator alone cannot authorise transactions. He/She needs the authorisation of the other Administrator/s to do so, and this restriction, among others, limits the inherent risks of frauds and thefts that are prevalent in a single Administrator set-up.

10.1.2 Dual Authorisation

Up to 2 authorisations can be applied to authorise transactions (The Chief Financial Officer and the Chief Executive Chief Executive Officer)

A & B Signatories

The Municipal entity also ensures that there is segregation of duties. The segregation of duties will be as follows:

10.1.2.1 There shall be two (2) Administrators at any one time (The Chief Financial Officer and the Chief Executive Officer).

10.1.2.2 Authorised signatories will be characterized as A and B signatories.

10.1.2.3 The Chief Executive Officer and The Chief Financial Officer shall be category A signatory.

10.1.2.4 Any other delegated signatory shall be category B signatory.

10.1.2.5 The category B signatory shall not be able to fully authorize transactions without the category A signatory authenticating the transaction and signing off in order to fully process the transaction.

10.1.2.6 Captures appointed by the administrators do not have powers to authorize, they can only capture transactions. Administrator only has access to administer the system as detailed above and authorize. They cannot capture figures or alter information such as banking.

10.1.3 The Event Log

Access to Online Banking Enterprise is not possible when the accesses the system from a PC not specified as their Trusted Profile as created, even if their valid Username and Password have been entered.

The Manage User Access functionality operates using the following parameters:

10.2.1.1 Trusted Profiles (compulsory)

10.2.1.2 Time settings (optional)

10.2.1.3 IP Address settings (optional)

The overall security of the EFT System is administered by the accredited Financial Institution used by the municipal entity and the integrity of system and user profiles is protected through the security provided by the financial institution. Steps that are taken to protect user profiles include assigning system user IDs for each authorized user and changing user IDs as necessary. The Financial Institution assists users with technical problems related to the EFT system.

Under no circumstances may the EFT system be accessed in a public internet café.

The user certificate must be kept in a PC assigned to the authorizer and a password must be changed in certain intervals.

10.2.2 Other additional controls:

10.2.2.1 Individuals who have access to the banking system are to be allocated unique password and user identities to enable operator verification on audit trail.

Passwords are to be memorised and not disclosed to other personnel.

10.2.2.2 Employees who will be involved in the cash transfers process are properly screened.

10.2.2.3 Banking access time is controlled and require logon after 10 minutes of inactivity.

10.2.2.4 Banking workstations are not left unattended while signed into Online Banking.

10.2.2.5 Operators are to follow bank operating and security procedures, as per banking services provider, when using online banking.

10.2.2.6 All files and documents generated through the banking system are encrypted.

10.2.2.7 An audit log is produced confirming operator, date and time and transaction details and is retained in a secure location in the municipal offices for audit purposes.

10.2.2.8 Amendment and delete access to audit trail reports is restricted to the financial institution.

10.2.2.9 Authorised Funds transfer and payroll Transmission Log is given by the financial institution to internal audit Manager for scrutiny and identification of abnormalities.

10.2.2.10 Internal Audit is to undertake independent review of system audit logs including logon attempts/session paths, logon violation records.

10.2.2.11 Entity employees who initiate or complete EFT transactions are responsible for ensuring that the financial internal controls are maintained, the activity is posted timely, and operational procedures are in place to prevent loss of the Municipal funds arising from fraud, employee error, and or misrepresentation by third parties.

- 10.4.1 Financial Accountant confirms EFT transfer amounts processed through the bank statement and ensure proper allocation and classification of these amounts as per their respective accounts.
- 10.4.2 Financial Accountant does the cash reconciliation process and includes a detailed review of receipts, bank account numbers and other references relating to the cash transfers as reflected on the bank statement.
- 10.4.3 Financial Accountant prepares a daily and monthly reconciliation.
- 10.4.4 Chief Financial Officer or delegated approves the Monthly debtor's reconciliation.
- 10.4.5 Financial Accountant will monitor bank balances daily for unusual or unexpected transactions, reconcile bank activity to the general ledger in a timely manner, and investigate and resolve reconciling items.
- 10.4.6 Cash received is receipted electronically by the cashier on the financial system on receipt.
- 10.4.7 Daily reconciliation between the cash on hand and amount reflected on the general ledger are done by the Financial Accountant.
- 10.4.8 The accountant prepares a deposit slip, and safety stores both the deposit slip and cash received in a safe.
- 10.4.9 Excess to the safe is restricted to the Financial Accountant.
- 10.4.10 A designated financial security company, appointed by the entity is responsible for collection and banking of the cash into the entity bank account.
- 10.4.11 Financial Accountant is responsible for checking that the amount has been paid into the Entity Bank Account within three days from the date of pick up.

11 RAISING OF DEBT

The Chief Executive Officer is responsible for the raising of debt but may delegate this function to the Chief Financial Officer, who shall then manage this responsibility in consultation with the Chief Executive Officer. All debt shall be raised in strict compliance with the requirements of the Municipal Finance Management Act 2003, and only with the prior approval of the board.

Long-term debt shall be raised only to the extent that such debt is provided for as a source of necessary finance in the capital component of the approved annual budget or adjustments budget.

Short-term debt shall be raised only when it is unavoidable to do so in terms of cash requirements, whether for the capital or operating budgets or to settle any other obligations, and provided the need for such short-term debt, both as to extent and duration, is clearly indicated in the cash flow estimates prepared by the Chief Financial Officer. Short-term debt shall be raised only to anticipate a certain long-term debt agreement or a certain inflow of operating revenues.

12 INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES

In managing the entity's investments, the Chief Financial Officer shall ensure that, whenever a long-term (non-annuity) loan is raised by the entity, 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

Money may be withdrawn from the entity's bank account only in accordance with the requirements of Section 11 of the present Act.

14.2 Section 8: primary bank account

Every municipal entity must have a primary bank account, and if the municipal entity has only one bank account that account is its primary bank account. If the entity has more than one bank account, it must designate one of those bank accounts as its primary bank account.

The following must be paid into the entity's primary account:

14.2.1 all allocations to the entity.

14.2.2 all income received by the entity on its investments.

14.2.3 any other monies as may be prescribed.

The Chief Executive Officer of the entity must submit to the national treasury, the provincial treasury and the Auditor-General, in writing, the name of the bank where the primary bank account of the entity is held, and the type and number of the account. If the municipal entity wants to change its primary bank account, it may do so only after the Chief Executive Officer has informed the national treasury and the Auditor-General, in writing, at least 30 days before making such change.

14.3 Section 9: bank account details to be submitted to provincial treasuries and auditor-general

The Chief Executive Officer of the entity must submit to the provincial treasury and to the Auditor-General, in writing, within 90 days after the municipal entity has opened a new bank account, the name of the bank where the account has been opened, and the type and number of the account; and annually, before the start of each financial year, the name of each bank where the entity holds a bank account, and the type and number of each account.

14.4 Section 10: control of municipal entity bank accounts

The Chief Executive Officer of the entity must administer all the entity's bank accounts, is accountable to the municipal entity board for all entity's bank accounts, and must enforce compliance with Sections 7, 8 and 11 of the present Act.

The Chief Executive Officer may delegate the duties referred to above only to the municipal entity's Chief Financial Officer.

14.5 Section 11: withdrawals from municipal entity bank accounts

Only the Chief Executive Officer or the Chief Financial Officer of the entity (presumably where this power has been appropriately delegated), or any other senior financial official of the entity acting on the written authority of the Chief Executive Officer, may

for the purpose of such fund must be paid into the bank account of the municipal entity, or if a separate bank account has been opened for such fund, into that account.

Money in a separate account opened for such fund may be withdrawn from the account without appropriation in terms of the approved budget, but only by or on the written authority of the Chief Executive Officer, acting in accordance with decisions of the board, and for the purposes for which, and subject to any conditions on which, the fund was established or the money in the fund was donated.

14.7 Section 13: cash management and investments

The Minister, acting with the concurrence of the cabinet member responsible for local government, may prescribe a framework within which entity must conduct their cash management and investments, and invest money not immediately required.

An entity must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be so prescribed.

A bank where the entity at the end of the financial year holds a bank account, or held a bank account at any time during such financial year, must, within 30 days after the end of such financial year, notify the Auditor-General, in writing, of such bank account, indicating the type and number of the account, and the opening and closing balances of that account in that financial year. The bank must also promptly disclose any information regarding the account when so requested by the national treasury or the Auditor-General.

A bank, insurance company or other financial institution which the end of the financial year holds, or at any time during the financial year held, an investment for the municipal entity, 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. Such institution must also promptly disclose any information regarding the investment when so requested by the national treasury or the Auditor-General.

14.8 Section 17: contents of annual budgets and supporting documents

The following documents must accompany each tabled draft annual budget (inter alia):

14.8.1 a projection of cash flows for the budget year by revenue source, divided into calendar months.

14.8.2 particulars of the entity's investments.

14.9 Section 45: short-term debt

The entity may incur short-term debt only in accordance with and subject to the provisions of the present Act, and only when necessary to bridge shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic income to be received within that financial year; or to bridge capital needs within a

14.13 Section 65: expenditure management (excerpts)

The Chief Executive Officer of the municipal entity is responsible for the management of the expenditure of the municipal entity.

The Chief Executive Officer must take all reasonable steps to ensure, among other things, that payments made by the municipal entity are made direct to the person to whom they are due, unless agreed otherwise for reasons as may be prescribed, and either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit.

The Chief Executive Officer must also ensure that all money owing by the municipal entity is paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

The Chief Executive Officer must further ensure that the municipal entity's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework.

15 ANNEXURE II: CODE OF PRACTICE IN REGARD TO PAYMENTS, REVENUE COLLECTION AND STORES

15.1 Stores administration

The Chief Financial Officer shall be responsible for the proper administration of all stores. If sub-stores are established under the control of any head of department, such head of department shall be similarly responsible for the proper administration of such sub-store, and in doing so shall comply with the stock level policies as determined from time to time by the Chief Financial Officer, acting in consultation with the head of department concerned. No sub-store may be established without the prior written consent of the Chief Financial Officer.

15.2 Contracts: management of contracts

Within such general buying and related procedures as the Chief Financial Officer shall from time to time determine, and further within the confines of any relevant legislation and of such rules and procedures as may be determined by the Board

15.2.1 all buying contracts shall be administered by the Chief Financial Officer, and all payments relating to such contracts shall be authorised by the Chief Financial Officer or the head of department concerned; and


15.5.1 Guidelines and procedures for the banking of cheques and other receipts shall, if necessary, be determined from time to time by the Chief Financial Officer.

15.5.2 Where applicable, every head of department shall ensure that all revenues are banked daily with the municipal entity's banker(s), or less frequently if so approved by the Chief Financial Officer.

16. COMMENCEMENT

This policy will commence on 1 July 2025, and must be reviewed annually together with the budget related policies.

APPROVED BY:

NAME	SIGNATURE	DESIGNATION	DATE
Mrs T.T. Thiyane-Magaqa		Acting Chief Executive Officer	22 May 2025