



Item A26. 04.12.2023

POLICIES REVIEW: CASH MANAGEMENT AND INVESTMENT POLICY

S Zikmann: Manager: Payroll and Banking

(Ref.: 6/1/1/P & 9/3/1/P)

PURPOSE

To review and approve the Cash Management and Investment Policy.

BACKGROUND

Financial related policies need to be reviewed frequently to ensure compliance with legislated requirements and operational management within the municipality. In general, all budget related policies are collectively reviewed annually with the approval of the annual budget for the upcoming fiscal year, however other financial related policies also need to be reviewed as and when required to ensure the policy fits within the municipal and governance framework.

The current cash management and investment policy does not distinguish between call and fix term investments specifically in relation to obtaining three quotations. COMAF 9– 2022/23 had now been received on the investment that was not made in accordance with the investment policy. This was in relation to an existing call account that transferred into another call account type at the same bank which with an improved yield – see explanation to the auditors below:

Kindly note that the account ABSA Investment Tracker - Account Number 93 7458 5345 is a call account and not a term investment. The accounts were opened to ringfence funds and was merely an “upgrade” to a better product at the same bank ABSA (ODM’s previous bankers) to the Investment tracker Call account product with better interest rate to optimize revenue.

9287551045 ABSA DEPOSITOR CALL MAIN 6,138,376.39

Attach please see the instruction to the bankers requested on 18 July 2022 and the activation of the account. At year end, the amount in the said account, forms part of the amount in Note 2 in the AFS as displayed below:

Call Investments and Other Deposits R85 834 478

This explanation was not acceptable to the auditors as the existing policy determines as follows in clause 8.5.1:

“before making any call or fixed deposits, the chief finance officer, shall obtain quotations from at least three financial institutions”.

As part of the remedial action, the existing policy will have to be changed as part of the remedial action to **exclude** the management of funds in call accounts from fix-term investments. In order not to receive a similar repeat finding in the next audit cycle, the amended policy will have to be effective retrospectively as from 1 July 2023.

Surplus funds on call accounts, is merely shifted to these accounts from the current account to optimize the revenue from interest rates. Just enough funds are kept in the current account not to go into overdraft as no interest is received on these funds. To place funds on call accounts, there need to be an existing current account and it can only be done at the NEDBANK, current banker where the primary account is or in this case at ODM former primary in 2018, ABSA.

The bank tender for the next 5 years was awarded to the current banker NEDBANK and these call accounts will be used, for working capital and specific ring fence accounts. At the previous banker ABSA (2018) where special interest rates are obtained on there "Tracker call investment accounts.

A review was also done recently on the investment portfolio and following are the status of ODM's accounts:

Current account	NEDBANK
Call account (working capital)	NEDBANK
Call account KWK Rehabilitation fund	NEDBANK
Call account (working capital)	ABSA Tracker
Call account Roads Input VAT refunds	ABSA Tracker

ATTACHMENTS

- Amended policy reviewed for approval
- Approvals of call investments and diversification review of surplus funds
- COMAF 9 of 2022/23

RESOLVED: (Proposed by Ald J Nieuwoudt and seconded by Cllr U Mabulu)

- 1) That the amended Cash Management and Investment Policy was approved by Council.
- 2) That the policy change be effective retrospectively as from 1 July 2023.

CERTIFIED A TRUE EXTRACT FROM THE MINUTES OF THE COUNCIL MEETING HELD ON 04 DECEMBER 2023.



R BOSMAN
MUNICIPAL MANAGER