

EPHRAIM MOGALE LOCAL MUNICIPALITY



INVESTMENT POLICY

DOCUMENT APPROVAL

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Ephraim Mogale Local Municipality

**2015/16 Medium Term Revenue and Expenditure Framework (MTREF) Policy
review**

INVESTMENT POLICY

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A. INTRODUCTION

1. The Council of the Municipality is the trustee of public funds collected. The Municipality has an obligation to the community to ensure that these resources are managed effectively and efficiently.
2. Therefore, Council shall invest these public funds knowledgeable and sensibly. Council are accountable to the community in regard to investments.
3. This policy aims to gain the best return on investments, without incurring high risks during periods where cash resources are not needed for immediate capital or operational purposes.
4. This policy has been compiled to address investments of funds and comply with the requirements and guidelines as set by the following acts and other documents:
 - 4.1. SALGA – Local Government Financial Best Practise Manual
 - 4.2. The Constitution of the Republic of South Africa, 1996, Act 108 of 1996
 - 4.3. The Municipal Systems Act, Act 32 of 2000
 - 4.4. Section 13 of the Municipal Finance Management Act, Act No. 56 of 2003

B. INVESTMENT ETHICS

- 1 The Chief Financial Officer is responsible for investing the surplus funds of the Municipality. These investments shall be managed in consultation with the Mayor or chairperson of the Portfolio Committee on Finance.
- 2 Investments shall be made in compliance with section 13 of the Municipal Finance Management Act, 2003 and any framework as contemplated in section 13(1) of the said act.
- 3 Any investments shall at all times promote the best interests of the municipality.
- 4 No gifts, commission or other consideration whatsoever shall be accepted from any investment agent or institution, before or after an investment has been made by either the Chief Financial Officer, the Executive Mayor, the

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chairperson of the Portfolio on Finance Committee, any official or elected councillor

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- 5 On a quarterly basis the Chief Financial Officer shall submit to council a report reflecting information on the council's investment portfolio, including the type of investment, interest rates, period of investment and a summary of the exposures to particular financial institutions. The CFO shall submit once a year a certificate of compliance to the paragraph 4 abovementioned.

C. INVESTMENT PRINCIPLES

1. Limiting exposure

Surplus funds shall be deposited in investment with approved investment institutions such as to limit the risk exposure normally associated with investment decisions with regard to institutions and investment products.

2. Risk and return

The Chief Financial Officer shall always ensure that investments are made at the best possible interest rate, having consideration for the risk in regard to both the financial institution as well as the investment product. Deposits shall be made only with registered deposit-taking institutions as approved by council from time to time.

3. Payment of commission

Each financial institution where the Municipality invest money, shall upon accepting the investment deposit confirm in writing that nobody has been paid direct or indirectly any commission, and has not and will not grant any other benefit whatsoever to anybody as a result of the investment having been made.

4. Call deposits and fixed deposits

4.1 Prior to any investment being made the Chief Financial Officer shall obtain at least three quotations from financial institutions registered as bank in terms of the Banks Act, 1990. These quotations shall then be recorded in a register containing the following information:

- Date of obtaining the quotation
- Name of the institution
- Name of contact person at the institution providing the quotation
- Amount to be invested at the quoted term and rates

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- Relevant terms and rates
- Other relevant information as decided by the Chief
Financial Officer

4.2 Telephonic quotations shall be followed by written quotations before the investment deposit is made.

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4.3 Any money paid over to a financial institution shall be directly paid over to the financial institution without any intervention by an agent or third party. The Chief Financial Officer shall ensure that he/she receives a receipt or certificate of such an investment.

5 **Restriction on terms of investments**

5.1 No investments shall be made for a period longer than twelve months, without prior approval of the Executive Committee.

5.2 If it is deemed expedient to make longer term investments in secure stock issues the Chief Financial Officer shall be guided in his /her decisions by the best return for that type of investment and the most secure instrument available.

D. CONTROL OVER INVESTMENTS

1. The Chief Financial Officer shall maintain an investment register for all investments made and shall contain the following minimum information:

1.1. Institution

1.2. Type of investment

1.3. Investment date

1.4. Maturity date

1.5. Interest rate

1.6. The amount invested

1.7. Whether the investment was prematurely redeemed and the consequences thereof

1.8. The date on which the investment was redeemed.

2. The Chief Financial Officer shall ensure that all interest and capital due are timeously received by the Municipality and shall take appropriate steps when such amounts are not received timeously.

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3. The Chief Financial Officer shall keep all of the investment documents, registers and certificates in a fireproof safe with segregated access control or alternatively placed with the Municipality's bankers or attorneys for safekeeping.

E. RAISING OF DEBT

The municipal manager 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 municipal manager. 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 council.

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.

F. INTEREST ON INVESTMENTS

Interest received on investments shall initially be accounted for as ordinary operating revenue.

G. IMPLEMENTATION OF THE POLICY

This policy will be reviewed annually as part of budget related policies.