**EPHRAIM MOGALE LOCAL MUNICIPALITY**

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**INVESTMENT POLICY**

**2019/2020**

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| **DOCUMENT APPROVAL**   |  |  |  |  | | --- | --- | --- | --- | | **Responsible Person:** | **Name** | **Signature** | **Date** | |  |  |  |   **Date of approval: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** |

**INVESTMENT POLICY**

1. **PURPOSE**

To regulate the investment of municipal monies.

1. **SCOPE OF APPLICATION.**

The policy shall apply to all employees of the municipality and councillorss.

1. **OBJECTIVES**

3.1. the preservation and safety of investments

3.2. the need for investment diversification

3.3. the liquidity needs of the municipality

3.4. minimum acceptable credit rating for investments, including-

(a) a list of approved investment types that may be made subject to the Regulations

(b) a list of approved institutions where or through which investments may be made subject to the regulation 10

(c) procedure for the invitation and selection of competitive bids or offers in accordance with Part 1 of Chapter 11 of the Act.

(d) measures for ensuring implementation of the policy and internal control over investments made

(e) procedure for reporting and monitoring of all investments made subject to the Regulation 9

(f) procedures for benchmarking and performance evaluation.

(g) the assignment of roles and functions, including any delegation of decision making powers.

(h) conditions for the usa of Municipality, including their liability in the event of non-compliance with the policy or the regulations. And

(i) procedure for the annual review of the policy.

1. **DEFINITIONS**

*“*Act” -means the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)

“Investee” -means an institution with which an investment is placed, or its agent

1. **STANDARD OF CARE TO BE EXERCISED WHEN MAKING INVESTMENT.**

**5.1.** Investments by a municipality or by an Chief Financial Officer on behalf of the municipality:

5.1.1. must be made with such judgment and care, under prevailing

circumstances, as a person of prudence, discretion and intelligence would exercise in the management of that person’s own affairs.

5.1.2. may not be made for speculation but must be a genuine investment

5.1.3. 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 investment.

1. **PERMITTED INVESTMENTS.**

**6.1.** A municipality may invest funds only in any of the following:-

6.1.1. securities issued by the national government.

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

6.1.3. deposit with banks registered in terms of the Banks Act, 1990 (Act no. 94 of 1990)

6.2.4. deposit with the Public Investment Corporation Commissioners as contemplated by the Public Investment Commissioners Act, 1984. (Act No. 46 of 1984)

6.1.5. banker’s acceptance certificates or negotiable certificates of deposit of banks registered in terms of Banks Act. 1990.

6.1.6. guaranteed endowment policies with the intention of establishing a sinking fund.

6.1.7. repurchase agreements with banks registered in terms of the Banks Act, 1990.

6.1.8. municipal bonds issued by a municipality and

6.1.9 any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consultation with the Financial Services Board.

**6.2 CALL DEPOSITS AND FIXED DEPOSITS**

6.2.1 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

• Relevant terms and rates

• Other relevant information as decided by the Chief Financial Officer

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

6.2.3 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.

1. **INVESTMENTS DENOMINATED IN FOREIGN CURRENCIES PROHIBITED.**

7.1. A municipality may make an investment only if the investment is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.

1. **PAYMENT OF COMMISSION**

8.1. No fee, commission or other reward may be paid to a councillor or official of a municipality or to a spouse or close family member of such councilor, director, official in respect of any investment made or referred by a municipality.

1. **REPORTING REQUIREMENTS.**

9.1. The Accounting Officer of a municipality must within 10 working days of the end of each month, as part of section 71 report required by the Act, submit to the mayor of the municipality, a report describing in accordance with generally recognizes accounting practice the investment portfolio of that as at the end of the month.

9.2. The report referred must set out at least-

1. the market value of each investment as at the beginning of the reporting period,
2. any changes to the investment portfolio during the reporting period.
3. The market value of each investment as at the end of the reporting period and
4. Fully accrued interest and yield for the reporting period,
5. **CREDIT REQUIREMENT**

10.1. A municipality must take all reasonable and prudent steps consistent with the investment policy and according to the standards of care set out in clause 5 of this policy, to ensure that it places its investments with credit-worthy institutions.

10.2. A municipality -

10.2.1. regularly monitor its investment portfolio, and

10.2.2. when appropriate liquidate an investment that no longer has the minimum acceptable credit rating as specified in this policy.

1. **PORTFOLIO DIVERSIFICATION.**

11.1. A municipality must take all reasonable and prudent steps, consistent with its investment policy and according to the standard of care prescribed in clause 5 to diversify its investment portfolio across institutions, types of investment and investment maturities.

1. **REVIEW OF THE POLICY**

This policy shall become effective once approved by the municipal council.

1. **EFFECTIVE DATE.**

This policy shall become effective once it is approved by the municipal council.