

UGU – SOUTH COAST TOURISM (PTY) LTD
“The Entity”



BANKING, CASH MANAGEMENT &
INVESTMENT POLICY

Contents

	Page no.
1. DEFINITIONS	3
2. LEGAL COMPLIANCE	4
3. OBJECTIVE OF INVESTMENT POLICY	4
4. EFFECTIVE CASH MANAGEMENT	4
4.1 Cash Collection	4
4.2 Expenditure management	4
4.3 Cash Management Programme	6
5. INVESTMENT ETHICS	6
6. INVESTMENT PRINCIPLES	6
6.1 Limiting Exposure	7
6.2 Risk and Return	7
6.3 Payment of Commission	7
6.4 Call Deposits and Fixed Deposits	7
6.5 Restriction on Tenure of Investments	8
6.6 Permitted investments	8
6.7 General Investment Practice	8
6.8 Investment maturity	9
6.9 Early withdrawal of invested funds	9
7. CONTROL OVER INVESTMENTS	10
8. OTHER EXTERNAL INVESTMENTS	10
9. BANKING ARRANGEMENTS	10
10. RAISING OF DEBT	11
11. INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES	11
12. INTEREST ON INVESTMENTS	12
13. COMPLIANCE AND ENFORCEMENT	12
14. EFFECTIVE DATE	12
15. POLICY ADOPTION	12

1. DEFINITIONS

In this Policy, unless the context indicates otherwise, a word or expression, to which a meaning has been assigned in the Municipal Finance Management Act (MFMA) No. 56 of 2003 and Municipal Systems Act 2000, has the same meaning.

“Accounting Officer” means the Chief Executive Officer of Ugu South Coast Tourism (Pty) Ltd;

“Board” - means the Board of Directors of Ugu South Coast Tourism (Pty) Ltd;

“Creditor” means a person to whom money is owing by the Entity;

“Entity” shall mean Ugu South Coast Tourism (Pty) Ltd;

“Financial year” means the financial year starting from 1 July and end on 30 June;

“GM: Finance & HR” means the Chief Financial Officer of Ugu South Coast Tourism (Pty) Ltd;

“Investee” means an institution with which an Investment is placed;

“Investment” in relation to funds of the Entity, means - the placing on deposit of funds of the Entity with a financial institution. The acquisition of assets with funds of the Entity not immediately required, with the primary aim of preserving those funds;

“Long-term investments” means any cash or liquid securities owned by the Entity which have a maturity date, and/or callable date reasonably expected to be exercised, that is greater than one year (12 months);

“Primary bank account” means the main bank account referred to in section 8(1) of the MFMA;

“Short-term investments” means any cash or liquid securities owned by the Entity which is having a maturity date and/or callable date reasonably expected to be exercised, that is equal to or less than one year (12 months).

2. LEGAL COMPLIANCE

The Entity shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003.

This Policy must be read with the MFMA and the regulations promulgated under the Act.

3. OBJECTIVE OF INVESTMENT POLICY

- 3.1 The Board of Directors of the Municipal Entity is the trustee of the revenues, which it collects, and it therefore has an obligation to the Parent Municipality to ensure that the Entity's cash resources are managed effectively and efficiently.
- 3.2 The Board therefore has a responsibility to invest these revenues knowledgeably and judiciously, and must be able to account fully to the Parent Municipality in regard to such investments.
- 3.3 This Policy is therefore aimed at gaining the optimal return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes. The effectiveness of this Policy is dependent on the accuracy of the Entity's cash management programme, which must identify the amounts surplus to the Entity's needs, as well as the time when and period for which such revenues are surplus.

4. EFFECTIVE CASH MANAGEMENT

4.1 Cash Collection

- 4.1.1 All monies due to the Entity must be collected as soon as possible, either on or immediately after due date, and banked on a daily basis except in satellite-offices where banking must be done on such intervals as determined by the GM: Finance & Hr.
- 4.1.2 The unremitting support of and commitment to the Entity's credit control policy, both by the Board and the Entity's officials, is an integral part of proper cash collections, and by approving the present Policy the Board pledges itself to such support and commitment.

4.2 Expenditure management

As per Chapter 10, of the MFMA, Section 99

1. The accounting officer of a municipal entity is responsible for the management of the expenditure of the entity.
2. The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure –
 - a) that the entity has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;
 - b) that all money owing by the entity is paid within 30 days of receiving the relevant invoice or statement unless prescribed otherwise for certain categories of expenditure;
 - c) That the entity has and maintains a management, accounting and information system which -
 - (i) recognises expenditure when it is incurred;
 - (ii) accounts for creditors of the municipality; and
 - (iii) accounts for payments made by the entity;
 - d) that the entity has and maintains a system of internal control in respect of creditors and payments;
 - e) that payments by the entity are made -
 - (i) directly to the person to whom it is due unless agreed otherwise or reasons as may be prescribed; and
 - (ii) 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;
 - f) that the entity complies with its tax, duty, pension, medical aid, audit fees and other statutory commitments;
 - g) that the entity's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework;

- h) that the entity has and implements a supply chain management policy in accordance with section 111 in a way that is fair, equitable, transparent and cost **effective**.

4.3 Cash Management Programme

4.3.1 The GM: Finance & HR shall prepare an annual estimate of the municipality's cash flows divided into calendar months, and shall update this estimate on a monthly 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 GM: Finance & HR with all such information as is required, timeously and in the format indicated.

4.3.2 The GM: Finance & HR shall report to the Accounting Officer on a monthly basis and to every ordinary board meeting the cash flow estimate or revised estimate for such month or reporting period respectively.

4.3.3 The cash flow estimates shall be divided into calendar months, and in reporting the GM: Finance & HR shall provide comments or explanations in regard to any significant cash flow deviation in any calendar month forming part of such report. Such report shall also indicate any movements in respect of the Entity's investments, together with appropriate details of the investments concerned.

5. INVESTMENT ETHICS

5.1 The GM: Finance & HR officer shall be responsible for investing the surplus revenues of the Entity, and shall manage such investments in consultation with the Accounting Officer and in compliance with any policy directives formulated by the Board and prescriptions made by the Minister of Finance.

5.2 In making such investments the GM: Finance & Hr, shall at all times have only the best considerations of the Entity in mind, and, except for the outcome of the consultation process with the Accounting Officer, shall not accede to any influence by or interference from Board Members, investment agents or institutions or any other outside parties.

5.3 No official of the Entity may accept any gift, from any investment agent or institution or any party with which the Entity has made or may potentially make an investment.

6. INVESTMENT PRINCIPLES

6.1 Limiting Exposure

6.1.1 Where large sums of money are available for investment the GM: Finance & HR shall ensure that they are invested with more than one institution, wherever practicable, in order to limit the risk exposure of the Entity. The GM: Finance & HR shall further ensure that, as far as it is practically and legally possible, the Entity's investments are so distributed that more than one investment category is covered (that is, call, money market and fixed deposits).

6.2 Risk and Return

6.2.1 Although the objective of the GM: Finance & HR in making investments on behalf of the Entity shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved in regard to both the financial institution and the investment instrument concerned. No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions. Deposits shall be made only with registered deposit-taking institutions (see 6.7 below).

6.3 Payment of Commission

6.3.1 Every financial institution with which the Entity makes an investment must issue a certificate to the GM: Finance & HR 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

6.4.1 Before making any call or fixed deposits, the GM: Finance & HR, shall obtain quotations from at least three financial institutions.

6.4.2 Given the volatility of the money market, the GM: Finance & HR, 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).

6.4.3 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).

6.4.4 Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of part 8 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 GM: Finance & HR shall ensure that the Entity receives a properly documented receipt or certificate for such investment, issued by the institution concerned in the name of the Entity.

6.5 Restriction on Tenure of Investments

6.6 No investment with a tenure exceeding twelve (12) months shall be made without the prior approval of the Accounting Officer, the Chairman of the Board of Directors and without guidance having been sought from the Entity's bankers or other credible investment advisers on the security and financial implications of the investment concerned.

6.7 Permitted investments

6.7.1 A municipal entity may invest funds only in any of the following investment types as may be appropriate to the anticipated future need for the funds:

- a) securities issued by the national government;
- b) listed corporate bonds with an investment grade rating from a nationally or internationally recognized credit rating agency;
- c) deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);
- d) deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of 1984);
- e) deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984);
- f) banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990;
- g) guaranteed endowment policies with the intention of establishing a sinking fund;
- h) repurchase agreements with banks registered in terms of the Banks Act, 1990;
- i) municipal bonds issued by a municipality; and
- j) 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.

6.8 General Investment Practice

6.8.1 The following are approved institutions through which the Entity may invest:

- a) ABSA,

- b) FNB,
- c) Standard Bank,
- d) Nedbank,
- e) Investec,
- f) Capitec,

as long as these institutions still have a rating of AA and above, and any other bank registered in terms of the Bank Act, which also has a rating of AA or AAA.

6.8.2 The Entity shall only invest in deposits and securities, which render either a risk free or low risk rate of return.

6.8.3 All investments made by the Entity must be in the name of UGu South Coast Tourism (Pty) Ltd.

6.9 Investment maturity

6.9.1 Upon maturity of the investment the Entity shall do one of the following:

- a) Shall withdraw the whole amount invested including interest,
- b) Shall re-invest 100% interest plus the original amount that had been invested, in terms of the investment procedure unless if Board wishes to utilize the original money or the interest, or
- c) Shall withdraw the interest and re-invest the original capital amount.

6.9.2 The re-investment of funds will follow the full normal quotation cycle of the Entity. Therefore the funds will not automatically be re-invested with the same/previous financial institution, but a competitive and transparent bidding process will be followed.

6.10 Early withdrawal of invested funds

- a) When investing the funds with the banking institution the GM: Finance & HR, shall ensure that such funds are not withdrawn earlier than the maturity date agreed upon, by doing so the Entity will not incur fruitless and wasteful expenditures in form of penalties resulting from early withdrawal of investments.
- b) The GM: Finance & HR, shall only withdraw funds if:
 - (i) The banking institution concerned has agreed to exempt any penalties due to early withdrawal of investment or,
 - (ii) The Accounting Officer may grant approval to withdraw the invested funds after he/she has satisfied him/herself that the urgency was unforeseeable at the time when funds were invested and that the need for funds far outweighs the penalties being paid for such early withdrawal.

7. CONTROL OVER INVESTMENTS

- 7.1 The GM: Finance & HR shall ensure that proper records are kept of all investments made by the 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.
- 7.2 The GM: Finance & Hr shall ensure that all interest and capital properly due to the 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.
- 7.3 The GM: Finance & HR shall ensure that all investment documents and certificates are properly secured in a fireproof safe with segregated control over the access to such safe.

8. OTHER EXTERNAL INVESTMENTS

- 8.1 From time to time it may be in the best interests of the Entity to make longer-term investments in secure stock issued by the national government, Eskom or any other reputable parastatal or institution, or by another reputable municipality. In such cases the GM: Finance & HR, must be guided by the best rates of interest pertaining to the specific type of investment, which the Entity requires, and to the best and most secure instrument available at the time.
- 8.2 No investment with a tenure exceeding twelve (12) months shall be made without the prior approval of the Accounting Officer and without guidance having been sought from the Entity's bankers or other credible investment advisers on the security and financial implications of the investment concerned.

9. BANKING ARRANGEMENTS

- 9.1 The Chief Executive Officer is responsible for the management of the Entity's bank accounts, but may delegate this function to the GM: Finance & HR. The Chief Executive Officer and GM: Finance & HR are authorised at all times to sign cheques and any other documentation associated with the management of such accounts. The Chief Executive Officer is authorised to appoint two or more additional signatories in respect of such accounts, and to amend such appointments from time to time. The list of current signatories shall be reported to the Chairperson of the Board on a monthly basis, as part of the report dealing with the Entity's investments.

- 9.2 In compliance with the requirements of good governance, the Accounting Officer shall open a bank account for ordinary operating purposes, and shall further maintain a separate account for: the administration of the external finance fund. One or more separate accounts shall also be maintained for purposes as may be prescribed by the Act. In determining the number of additional accounts to be maintained, the Accounting Officer, in consultation with the GM: Finance & HR, shall have regard to the likely number of transactions affecting each of the accounts referred to. Unless there are compelling reasons to do otherwise, and the board expressly so directs, all the Entity's bank accounts shall be maintained with the same banking institution to ensure pooling of balances for purposes of determining the interest payable to the Entity.
- 9.3 The Entity shall utilise the same banking service provider as the Parent Municipality.

10. RAISING OF DEBT

- 10.1 The Accounting Officer is responsible for the raising of debt, but may delegate this function to the GM: Finance & HR, who shall then manage this responsibility in consultation with the Accounting 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 of Directors.
- 10.2 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.
- 10.3 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 GM: Finance & HR. Short-term debt shall be raised only to anticipate a certain long-term debt agreement or a certain inflow of operating revenues.

11. INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES

- 11.1 In managing the Entity's investments, the GM: Finance & HR 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

date. The making of such investment shall be approved by the board of directors at the time that the loan itself is approved.

11.2 If the loan raised is not a fixed term loan, but an annuity loan, the GM: Finance & HR shall ensure that sufficient resources are available in the account maintained for the external finance fund to repay the principal amounts due in respect of such loan on the respective due dates.

12. INTEREST ON INVESTMENTS

12.1 The interest accrued on all the Entity's investments shall, in compliance with the requirements of generally accepted municipal accounting practice, be recorded in the first instance in the Entity's operating account as ordinary operating revenues, and shall thereafter be appropriated, at the end of each month, to the fund or account in respect of which such investment was made.

12.2 In the case of the external finance fund, the GM: Finance & HR may reduce the amount which must be annually invested to redeem any particular loan by the amount of interest so accrued.

12.3 If the accrual of interest to the external finance fund, unutilized capital receipts and trust funds results in a surplus standing to the account of any such funds, that is, an amount surplus to the resources required in respect of such funds or accounts, such surplus amount shall be credited by the GM: Finance & HR to the appropriation account and re-appropriated to the asset financing reserve.

13. COMPLIANCE AND ENFORCEMENT

- a) Violation of or non-compliance with this Policy may give a just cause of disciplinary steps to be taken.
- b) It will be the responsibility of Accounting Officer or his/her delegate to enforce compliance with this Policy.

14. EFFECTIVE DATE

This Policy shall come to effect upon approval by the Board of Directors.

15. POLICY ADOPTION

15.1 This Policy has been considered and approved by the **BOARD OF UGU – SOUTH COAST TOURISM (PTY) LTD** as follows:

Resolution No:.....

Approval Date:.....