

BLOUBERG MUNICIPALITY

POLICY: INVESTMENT MANAGEMENT



Investment Policy

Table of Contents

Chapter		Page No.
1	Introduction	3
2	Statutory guidelines	3
3	Investment Guidelines	4
4	Investment Register	6
5	Investment Ethics	7

1. INTRODUCTION

The purpose of this policy is to ensure the maximum return on all surplus funds of the municipality. Therefore all surplus funds of the municipality will be subject to the investment policy of the council.

Funds invested by the municipality will only be invested with financial institutions with an A rating, and through acceptable investment instruments, which will pose minimum risks and the highest possible interest returns for the Blouberg municipality.

Investment instruments have to be assessed based on liquidity requirements, therefore any monies not necessary for the current operating expenditure of the municipality will be subject to this investment policy of the Blouberg municipality.

All counter parties have to be selected through a credit risk analysis.

2. STATUTORY GUIDELINES

The Minister for Local Government, with the concurrence of the Minister of Finance, may by notice in the Gazette determine instruments of investment other than those referred to below in which Municipality may invest

- a. Deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);
- b. Securities issued by the National Government; and
- c. Bankers, acceptance certificates or negotiable certificates of deposits of banks.

3. INVESTMENT GUIDELINES

- 3.1 All investments will be made in line with statutory regulations in terms of the Municipal Finance Management Act and GAMAP.

FINAL POLICY APPROVED BY COUNCIL

- 3.2 Surplus funds must be reviewed monthly by the CFO, and where such surpluses are not necessary for current operational or capital expenditure, invested as per this policy within 10 working days.
- 3.3 Cash flow forecasts will be prepared to determine whether surplus funds are available and should be invested long term or short term.
- 3.4 Prior to approving any investment the CFO should review counter-party credit risk based on credit ratings and submit recommendations to the municipal manager.
- 3.5 The municipal manager and the CFO should select all counter parties through credit risk analysis, and then a list has to be prepared of all prospective counter parties.
- 3.6 Any employee that has an interest in any of the above investment institutions should disclose his/her interest and be prevented from making a decision in respect of that entity.
- 3.7 From the list of counter parties, the CFO has to select at least 3 institutions in order of credit risk analysis.
- 3.8 Requests for proposal should be issued to these 3 institutions requesting them to provide quotations for all details of the investments (i.e. interest rates offered, time frames, maturity values, confirmed values etc.)
- 3.9 Not more than 20 % of the total investment portfolio of the municipality should be invested within a single institution.
- 3.10 When an investment needs to be encashed or re-invested, the CFO must submit a recommendation to the municipal manager.
- 3.11 The municipal manager after consultation with the CFO will then authorise the institution, instrument, and the amount to be withdrawn or invested by signing the transfer approval, and submitting it to the CFO for processing.
- 3.12 The CFO will sign the transfer approval and make the transfer to or from the municipality's bank account.

FINAL POLICY APPROVED BY COUNCIL

- 3.13 The CFO **must** obtain confirmation of the transfers, from the investment institutions and the bank.
- 3.14 The CFO **must** prepare reconciliation between the transfer approval, the confirmations received, and the investment register, and he/she should sign the reconciliation as correct monthly.
- 3.15 Investments withdrawn and made should only be posted to the general ledger by the CFO.
- 3.16 The accountant should reconcile the investments in the general ledger to statements, and transfer approvals monthly.
- 3.17 Interest earned on investment should be recalculated and agreed to the confirmations.
- 3.18 The reconciliation has to be approved by the CFO, and he/she has to sign it as correct.
- 3.19 The CFO must monitor the limits of investments weekly, and bring any major abnormalities to the attention of the municipal manager and the investment committee immediately.
- 3.20 An investment report on the performance of investments **must** be compiled monthly by the CFO, and submitted to the municipal manager.
- 3.21 The municipal manager must compile a monthly report on investments and its performance to the council.

4 INVESTMENT REGISTER

- 4.1 An investment register should be kept of all investments made. The following facts must be indicated:
 - 4.1.1 Name of institution;
 - 4.1.2 Capital invested;

FINAL POLICY APPROVED BY COUNCIL

- 4.1.3 Date invested;
- 4.1.4 Interest rate; and
- 4.1.5 Maturation date.
- 4.2 The investment register and accounting records must be reconciled on an annual basis.
- 4.3 The investment register must be examined on a fortnightly basis to identify investments falling due within the next two weeks. It must then be established as what to do with the funds bearing in mind the cash flow requirements.
- 4.4 Interest, correctly calculated, must be received timeously, together with any distributable capital. The Chief Financial Officer or his/her Delegate must check that the interest is calculated correctly.
- 4.5 Investment documents and certificates must be safeguarded in a fire resistant safe, with dual custody. The following documents must be safeguarded:
 - 4.5.1 Fixed deposit letter or investment certificate;
 - 4.5.2 Receipt for capital invested;
 - 4.5.3 Copy of electronic transfer or cheque requisition;
 - 4.5.4 Excel schedule of comparative investment figures;
 - 4.5.5 Commission certificate indicating no commission was paid on the investment; and
 - 4.5.6 Interest rate quoted.
- 4.6 The Chief Financial Officer or his/her Delegate is responsible for ensuring that the invested funds are secure and, should there be a measure of risk, that such risk be rated realistically.

5 INVESTMENT ETHICS

FINAL POLICY APPROVED BY COUNCIL

- 5.1 The following ethics must apply when dealing with financial institutions and other interested parties (IMFO Handbook For Municipal Financial Officers May 1993, paragraph 4.1).
- 5.2 The Municipal Manager and Chief Financial Officer will be responsible for the investment of funds, and he/she has to steer clear of outside interference, regardless of whether such interference comes from individual Councillors, agents or any other institution.
- 5.3 Under no circumstances may he/she be forced or bribed into making an investment. No member of staff may accept any gift unless that gift can be deemed so small that it would not have an influence on his/her work or was not intended to do so, and can merely be seen as goodwill. A certificate in respect of the gift should be furnished to the Council. The gift should not be in lieu of a commission.
- 5.4 The Chief Financial Officer or his/her Delegate must act according to their discretion and must report any serious cases of payment in kind or gifts, to the Council. Excessive gifts and hospitality should however be avoided.
- 5.5 Interest rates offered should never be divulged to another institution.
- 5.6 The overall responsibility of investments lies on the Municipal Manager. However the day to day handling of investments is the Chief Financial Officer's or his/hers delegate's responsibility.

END OF INVESTMENT POLICY DOCUMENT