

PETTY CASH POLICY

<i>Policy Number</i>	C46/05/2018
Policy Name	PETTY CASH POLICY
Policy Status	Approved
Date of last Approval \ Reviewable	May 2018
Policy review / Development	Policy to be reviewed with the Budget approval process
Date of next review	With the Budget approval process in May 2020
Purpose	To ensure that the cash resources of the municipality are managed effectively and that public funds are invested knowledgeable and judiciously as well as to obtain the optimal return on investments
Aims and objectives	To implement accrual accounting for fixed assets in terms of prevailing accounting standards and applying assets management practices in a consistent manner and in accordance with legal requirement and recognized good practice.
Policy custodian	Chief Financial Officer
Related Policies and Legislations	<ul style="list-style-type: none"> • <i>The Constitution of the Republic of South Africa 1996</i> • <i>Municipal Finance Act 2003 (Act. 56 of 2003)</i> • <i>National Treasury Circulars</i>

Approving authority	Council
Applicability	To the Municipal Manager and Chief Financial Officer when in vesting Councils Funds.
Amendments to the Policy	<p>Purpose</p> <p>1. The Chief Financial Officer will authorize or delegate an official from his department to keep a petty cash register and to grant refunds for cash purposes or allow cash advances.</p> <p>16. Petty cash funds are to be used exclusively for the payment of smaller official expenses, excluding the following to be in line with Municipal SCM Regulations Section 15 (a)</p> <ul style="list-style-type: none"> • Items available on contract • Items available from other pre-established sources • Professional services <p>1. A manager must not delegate duties for petty cash to an official not reporting to the manager.</p> <p>2. Cash advances can only be granted for out-of-pocket expenses for delegated representatives of the municipality or upon a written quotation but in all instances should a petty cash voucher be approved by the related departmental head.</p> <p><u>Municipal SCM Regulations Section 15 (c)</u></p> <p>3. Officially delegated persons will agree to the deduction from his/her next remuneration any cash advances of which no proof of expenditure is presented on return from the attended event.</p> <p><u>Municipal SCM Regulations Section 15 (c)</u></p> <p>4. No road toll fees or entertainment expenses are payable from petty cash.</p> <p><u>Municipal SCM Regulations Section 15 (c)</u></p> <p>5. A monthly reconciliation report from holder of a petty cash must</p>

	<p>be provided to the chief financial officer, including:</p> <ol style="list-style-type: none"> i. The total amount of petty cash purchases for that month; and ii. Receipts and appropriate documents for each purchase. <p><u>Municipal SCM Regulations Section 15 (d)</u></p> <ol style="list-style-type: none"> 6. (7) For “urgent matters”, the Chief Financial Officer (CFO) is allowed to prior approve of purchases exceeding R350.00 to a maximum of R 2 000 from petty cash. 7. The number of petty cash purchases or the maximum amount per month for each manager to spend on petty cash must be restricted as indicated in the Delegation of Authority Document.
Policy Benchmark and References	<i>In Terms of National Treasury Circulars and Guidelines</i>
Stakeholders Consulted	Not applicable
Accountability	<ul style="list-style-type: none"> • The Municipal Manager is accountable for the proper implementation of this policy in terms of the <i>Municipal Finance Act 2003 (Act. 56 of 2003)</i>

**MSUKALIGWA
LOCAL MUNICIPALITY**

(MP 302)



PETTY CASH POLICY / SCM

1 JULY 2020 – 30 JUNE 2021

Council Resolution: LM 685(b)/06/2020

MSUKALIGWA LOCAL MUNICIPALITY

PETTY CASH POLICY

Purpose of policy

1. Where the need may arise in a department/division to have cash available for payments of a minor and recurring nature and it is impracticable to obtain cheque payments for every expense, such payments may be handled by means of petty cash facilities.
2. The Municipal Manager may delegate control and management of the petty cash float to the Chief Financial Officer in which event reference to the Municipal Manager in this policy shall be construed as reference to the Chief Financial Officer. **The Chief Financial Officer will authorize or delegate an official from his department to keep a petty cash register and to grant refunds for cash purposes or allow cash advances.**
3. At the discretion of the Municipal Manager, departments or divisions of the Municipality may be provided with their own petty cash floats.
4. In the event where the Municipal Manager appoints an officer to take control of a petty cash float, he/she must be independent of all other cash functions such as cashiering.
5. In the event of a department or division being authorized to keep a petty cash float, the Head of the Department or Division concerned shall designate a staff member of that department/division as a departmental or divisional petty cash officer.

Maximum Petty Cash Float

The Municipal Manager may determine the maximum amount per petty cash officer, which may be withdrawn from the banking account of the Council for purposes of departmental/divisional floats.

Procedures for the handling of Petty Cash

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8. The application for a petty cash facility or for increase of the operational amount of an existing petty cash float, must be made in writing to the Municipal Manager.
9. The application must state reasons for the need of a petty cash float and the amount required for its operation, as well as the cost centre from which funds are to be applied for the petty cash. The amount should be sufficient to cover expenses for approximately a month, and the limit for every section is R1000.00.
10. The responsibility for operating petty cash and the safe keeping of petty cash funds in a department or division must be assigned to the designated petty cash officer only, and the head of the department/division shall be co-responsible for petty cash management in such department or division.

11. The keeping of a formal petty cash register is compulsory, except where petty cash expenses is posted directly on the official financial system of the municipality.
12. Payments to establish a petty cash float may only be, by way of a cheque made payable to the designated petty cash officer and upon submission of a requisition or memo signed by such petty cash officer.
13. Petty cash payments may only be made by the designated petty cash officer upon production of a petty cash voucher accompanied by proper supporting documents such as cash sale slips or receipts containing the supplier's name.
14. The petty cash purchases are limited to a transaction value as determined by the Municipal Manager or Chief Financial Officer from time to time in terms of the Supply Chain Management Policy.
15. If cash is advanced without supporting documents it should be on the basis of an advance or I.O.U., under signature of the receiving official, and authorized by the Head of the Department or divisional head. The receiving official must ensure that the relevant cash slips or receipts must reach the petty cash officer not later than three working days after the money was received.
16. The petty cash officer must regularly pursue outstanding advances and long outstanding advances must be brought to the attention of the Chief Financial Officer who must take the appropriate action to ensure that the amount advanced has been properly spent and proof of the expenditure is submitted.
17. Each petty cash voucher must be signed by the receiving official, Head of Department or divisional head and a senior official of the Finance Department.
18. When the cash in the petty cash float is almost exhausted, the petty cash register must be balanced and reconciled.
19. Replenishment of the petty cash float is undertaken after the balancing and reconciliation of the petty cash register has been checked and approved by the Chief Financial Officer or manager of the Finance Department.
20. A cheque must be made out to the petty cash officer for the replenishment of the petty cash float and such cheque must be encashed by this officer who must record the amount received in the petty cash register.
21. Petty cash funds must at all times be secured in a lockable container suitable for securing money, and secured in a lockable cabinet.
22. Reasonable precautions must be exercised for the safe keeping of the keys to the petty cash container and room where it is kept.

23. Petty cash funds are to be used exclusively for the payment of smaller official expenses, excluding the following to be in line with **Municipal SCM Regulations Section 15 (a)**
- No private loans from petty cash funds are permitted.
 - No staff cheques may be cashed out of petty cash funds.
 - No travelling claims of officials may be paid from petty cash funds.
 - No instalment invoices such as the rental of equipment are permitted.
 - It is forbidden to purchase a capital item / asset through petty cash.
 - **Items available on contract**
 - **Items available from other pre-established sources**
 - **Professional services**
24. The petty cash is operated by means of imprest payments. The cash balance added to the total expenses at any stage, must be equal to the authorized imprest amount. The internal or external auditors of the municipality may at any stage without prior notice, perform an audit of a petty cash to confirm the cash balance.
25. Shortages and surplus funds concerning petty cash must immediately be paid in at the cashier and the reason for the shortage/surplus must be investigated by the head of the department or division with a view to rectification.
26. The total amount of petty cash, in the form voucher of vouchers or cash, shall be counted (physical verification) in full at the end of the financial year, before closure of the revenue offices, and these should equal the authorized imprest amount. This step is in line with the accrual basis of accounting.
27. **A manager must not delegate duties for petty cash to an official not reporting to the manager.**
28. **Cash advances can only be granted for out-of-pocket expenses for delegated representatives of the municipality or upon a written quotation but in all instances should a petty cash voucher be approved by the related departmental head.**
Municipal SCM Regulations Section 15 (c)
29. **Officially delegated persons will agree to the deduction from his/her next remuneration any cash advances of which no proof of expenditure is presented on return from the attended event.**
Municipal SCM Regulations Section 15 (c)
30. **No road toll fees or entertainment expenses are payable from petty cash.**
Municipal SCM Regulations Section 15 (c)
31. **A monthly reconciliation report from holder of a petty cash must be provided to the chief financial officer, including:**
- iii. **The total amount of petty cash purchases for that month; and**
 - iv. **Receipts and appropriate documents for each purchase.**
- Municipal SCM Regulations Section 15 (d)**

32. (7) For “urgent matters”, the Chief Financial Officer (CFO) is allowed to prior approve of purchases up to an amount of R 2 000 (VAT included) from petty cash.
33. The number of petty cash purchases or the maximum amount per month for each manager to spend on petty cash must be restricted as indicated in the Delegation of Authority Document.