

UMUZIWABANTU MUNICIPALITY

“The Municipality”



PETTY CASH POLICY

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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, has the same meaning.

“CFO” means the Chief Financial Officer of Umuziwabantu Local Municipality, a person designated in terms of section 80(2)(a) of the Local Government: Municipal Finance Management Act, 56 of 2003.

“GRAP” means the Generally Recognised Accounting Standards.

“HOD” head of department

“Municipal Manager” means a person appointed as the Accounting Officer of the Municipality.

“Municipality” means Umuziwabantu Local Municipality

“Petty Cash” means a small amount of cash kept by the Municipality for expenses.

2. OBJECTIVE

The objective of this policy is to regulate the use of Petty Cash Float within Umuziwabantu Local Municipality and to ensure that in disbursing Petty Cash funds the Municipality is within the ambit of Municipal Finance Management Act (MFMA), 56 of 2003.

3. GENERAL REQUIREMENTS AND OPERATIONS

- 3.1 The petty cash must be kept by a designate of the Chief Financial Officer (CFO) in the Finance Department who will keep the cash under lock and key at all times. In terms of the Municipality's Supply Chain Management policy under Sub-paragraph 12 (1) (a), purchases from 1 cent up to R500.00 (inclusive of VAT) to be procured using petty cash.
- 3.2 The submission must be compiled with the recommendation of the Head of Department or a Manager of the Unit concerned, and then forwarded to the Chief Financial Officer for approval, who will also approve any increase, for whatever reason, in the float of petty cash.
- 3.3 Authority to recommend and approve submission by the Head of Department and Chief Financial Officer respectively must be delegated in writing and appointment letters must be kept in safe custody for audit purposes.
- 3.4 Quotation may be requested but not compulsory, it is not compulsory for the selected supplier to be registered in the municipal suppliers' database.
- 3.5 All submissions regarding the request to utilize petty cash must be forwarded to the CFO **at least one** day before the date in which the petty cash is required. Poor planning will not be a justifiable reason to deviate from this provision.
- 3.6 No purchases of goods or services may take place before the approval to use petty cash is granted by the Chief Financial Officer or the delegated official,

- except in the case of urgent and emergencies in which case the Head of Department or a Manager will have to give permission to proceed with the transaction. The CFO may make surprise inspections of the petty cash as he/she deems fit to do so, at least quarterly.
- 3.7 A petty cash requisition form must be used for all petty cash purchases. These forms shall be pre-numbered and recorded accordingly in the petty cash register.
- 3.8 The petty cash requisition form must include the following:
- i. Reason for petty cash;
 - ii. Amount requested (not exceeding R500.00);
 - iii. Vote number;
 - iv. Person requesting an item; and
 - v. Authorised by HoD or Delegated Manager;
 - vi. Person authorizing (CFO)
- 3.9 Urgent and emergency cases will be accommodated where immediate action is required to avoid a dangerous or life threatening situation, or any other cases which may require immediate action to be taken to proactively avoid a negative impact on service delivery.
- 3.10 Each Department (HoD) shall be given up to not more than R2000.00 per month.
- 3.11 Restrictions on the value per case may be made by the Responsibility Managers and Chief Financial Officer in order to exercise control over the usage of petty cash.
- 3.12 Original invoices or cash slips must be submitted to the Chief Financial Officer's office after such purchases have taken place.
- 3.13 Failure by any official to submit the invoices or cash slips within the period of 10 days from the date when petty cash was issued. This period will exclude public holidays and weekends that fall within it. Failure to do so will result in such total

- amount of purchases being recovered from the salary of the requestor. Where slips/invoices have been lost, an affidavit must be obtained.
- 3.14 No item which is available on contract basis may be purchased by using petty cash except in the case of dire or critical need and the item is not available from the contracted suppliers.
- 3.15 The Expenditure Manager must submit a monthly reconciliation report to the Chief Financial Officer, containing the total number and value of petty cash purchases for each month, including the opening balance and closing balance as well as the names of suppliers where goods and services have been purchased.
- 3.16 Certain types of transactions may be excluded from the petty cash purchases in the case where it is considered necessary to do so e.g. day to day maintenance, stationery, subsistence and traveling claims etc.
- 3.17 The related low valued items which are required to be purchased repetitively on a daily, weekly and monthly basis may not each time be purchased by means of petty cash. These requirements have to be consolidated, quantified and therefore procured through the normal procurement process, e.g. coffee and milk for boardrooms committee meetings if those items are required on a regular basis.

4. ARRANGEMENT FOR SUBMISSIONS WITH REGARD TO THE REQUESTS TO UTILISE PETTY CASH

All submissions regarding the request to utilize petty cash must be forwarded to the Chief Financial Officer preferably no less than **one day** before the date on which the petty cash is required. Poor planning will not be justifiable reason to deviate from this provision.

5. CUSTODY AND SAFEKEEPING OF PETTY CASH

The office and the safe where Petty Cash is maintained must always be locked and the keys must be kept in a safe place which is known by the custodian of the petty cash. If petty cash is lost, the official responsible for petty cash will be held liable.

5.1 ACCESS TO THE PETTY CASH

The use of petty cash should be freely accessible by all staff members. The Creditors Clerk is the only staff member, authorized, to issue petty cash.

6. RECONCILIATION OF PETTY CASH FLOAT

- 6.1 When the cash in the Petty Cash Float is almost exhausted, the Petty Cash register must be balanced and reconciled by the Petty Cash officer as follows:
- i. Counts the Petty Cash money at hand and confirm the monthly closing balance of cash at hand as reflected in the Petty Cash register.
 - ii. Adds up all the receipts submitted as proof of payment and agrees the total to the total reflected in the Petty Cash register.
 - iii. Verifies that the total Petty Cash as at the beginning of the month plus receipts less payments for the month equals the Petty Cash on hand at the end of month.
 - iv. Reconciles the Petty Cash total on hand with the requisition forms, vouchers and other supporting documentation.
- 6.2 Such reconciliation procedure as stated above should be performed at the end of the month and it should be ensured that the Petty Cash Float balances to the closing ledger balance.
- 6.3 The Petty Cash officer responsible for the review of the Petty Cash funds and petty cash register, signs as proof of the review.
- 6.4 The Chief Financial Officer/ Manager: Expenditure, internal or external auditors of the Municipality may at any stage without prior notice, perform an audit of petty cash to confirm the cash balance.

- 6.5 Internal audit should make surprise inspections of the Petty Cash at least once per quarter and perform the following procedures:
- i. Inspect the Petty Cash vouchers to ensure that all items on the voucher are items usually used by the Municipality in the performance of duties and that no purchase was made for personal use.
 - ii. Performs a cash count, in the presence of the official responsible for Petty Cash.
- 6.6 Any shortages or 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 senior official appointed by Municipal Manager or Chief Financial Officer for rectification.
- 6.7 At year-end a cash count should be performed on all advances to ensure that the cash on hand agrees with the general ledger account. A cash count working paper should be prepared as evidence of the cash count (preferably an Internal Auditor), the Cashier and Senior Official of the Income section should sign the working paper as evidence of the cash count.

7. REPLENISHMENT OF PETTY CASH

- 7.1 Petty cash will only be replenished if the petty cash has reached a minimum amount of R500.00. A maximum amount of R5000.00 will be kept in the petty cash office in order to minimize and avoid the risk relating to theft and losses.
- 7.2 Petty Cash Float shall be reimbursed by means of an uncrossed cheque where such replenishment will be approved by Manager: Income and the cheque signed by Chief Financial Officer and one other cheque signatory. The Petty Cash shall be reimbursed by cheque through the normal Financial System in use.
- 7.3 The schedule of Petty Cash vouchers (Petty Cash expenses) should be drawn up for approval by the Manager: Expenditure before submission for issuing of a reimbursement cheque.

- 7.4 Replenishment of the Petty Cash Float will be undertaken after the balancing and reconciliation of the Petty Cash register has been checked and approved by the Chief Financial Officer/ Director – Finance or Manager: Income.
- 7.5 A cash cheque must be given for the replenishment of the Petty Cash Float and such cheque must be cashed by the responsible officer who must record the amount received in the Petty Cash register.

8. PETTY CASH REGISTER

The keeping of a formal Petty Cash register is compulsory, except where petty cash expenses are posted directly on the official financial system of the Municipality.

9. IMPLICATION OF NON COMPLIANCE WITH THE MUNICIPAL PETTY CASH POLICY

It should be noted that failure to comply with this municipal petty cash policy constitutes financial misconduct and any employee found guilty will be subject to disciplinary procedures.

10. COMPLIANCE AND ENFORCEMENT

- a) Violation of or non-compliance with this policy will give a just cause of disciplinary steps to be taken.
- b) It will be the responsibility of chief financial officer to enforce compliance with this policy.

11. EFFECTIVE DATE

The policy shall come to effect upon approval by Council.

12. POLICY ADOPTION

This policy has been considered and approved by the **COUNCIL OF THE UMUZIWABANTU LOCAL MUNICIPALITY** as follows:

Resolution No:.....

Approval Date:.....30 May 2017